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Interim Consolidated Report BBVA Group 2020

Auditors' Report, Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report as of and for the six-months ended June 30, 2020

Audit Report on Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

(Together with the condensed consolidated interim financial statements and consolidated interim management report of Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries for the period from 1 January to 30 June 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Banco Bilbao Vizcaya Argentaria, S.A.

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Opinion

We have audited the condensed consolidated interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and the subsidiaries which, along with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group"), which comprise the consolidated balance sheet at 30 June 2020, the consolidated income statement, the consolidated statement of recognized income and expense, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes thereto for the six-month period then ended.

In our opinion, the accompanying condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2020 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial information, pursuant to article 12 of Royal Decree 1362/2007.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the condensed consolidated interim financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the condensed consolidated interim financial statements of the current period. These matters were addressed in the context of our audit of the condensed consolidated interim financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to other debtors

See notes 1.5, 6.2 and 13 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's loans and advances to other debtors portfolio presents a net balance of Euros 387,212 million at 30 June 2020, and the impairment provisions made at that date amount to Euros 13,552 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (stage 2), whether the financial assets are credit-impaired (stage 3), or whether neither of these circumstances arises (stage 1). For the Group, establishing this classification is a relevant process as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgment as this is a significant and complex estimate. Individual provisions consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach in relation to the Group's estimate of the impairment of loans and advances to other debtors due to credit risk included assessing the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, to which end we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Identifying the credit risk management framework and assessing the consistency of the Group's accounting policies with the applicable regulations. • Assessing whether the loans and advances to other debtors portfolio has been appropriately classified on the basis of credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing the relevant controls relating to the information available for the monitoring of outstanding loans. • Evaluating the design and implementation of the relevant controls over the management and valuation of collateral. • Evaluating whether the internal models for estimating both individual and collective provisions for expected losses are functioning correctly. • Assessing whether the aspects observed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective provisions have been taken into consideration.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment of loans and advances to other debtors

See notes 1.5, 6.2 and 13 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
In the case of collective provisions, expected credit losses are estimated by means of internal models that use large databases, different macroeconomic scenarios, provision estimation parameters, segmentation criteria and automated processes. Such models are complex in their design and implementation and require past, present and future information be considered. The Group periodically recalibrates and performs contrast tests on its internal models with a view to improving their predictive power on the basis of actual past experience. The COVID-19 pandemic is affecting the economy and business activities in the countries where the Group operates, triggering an economic recession in many of them. To mitigate the impacts of COVID-19, the governments of the different countries have launched aid initiatives for the hardest hit sectors and customers, implementing various measures such as granting government-backed credit facilities, according penalty-free moratoria and making financing and liquidity facilities more flexible. All of these aspects have an impact on the parameters considered by the Group when quantifying the expected loss on financial assets (macroeconomic variables, customers' net income, value of pledged collateral, probability of default, etc.). The Group has therefore recognized impairment of financial assets in its consolidated income statement for the period ended 30 June 2020 in an amount of Euros 2,009 million, essentially deriving from the worsening macroeconomic scenarios of the different countries. The consideration of this aspect as a key audit matter is based both on the significance for the Group of the loans and advances to other debtors portfolio, and thus the significance of any allowances and provisions recognized, and on the relevance and complexity of the process for classifying financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment, while also taking into account the situation arising from the COVID-19 pandemic.	• Assessing the integrity, accuracy and updating of the data used and of the data control and management process in place. Our tests of detail on the estimate of expected losses basically comprised the following: • With regard to the impairment of individually significant transactions, we assessed the suitability of the cash flow discounting models used by the Group. We also selected a sample from the credit-impaired significant risk population and evaluated the appropriateness of the provision recognized. This sample included borrowers from the economic sectors most affected by COVID-19 and/or which have received government aid in relation to the pandemic. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessed the integrity and accuracy of the input balances for the process, and assessed whether the calculation engine is functioning correctly by running the calculation process again for a sample of contracts, considering the segmentation and assumptions used by the Group. • When performing our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the parameters for calculating the expected loss. To this end, we brought in our corporate business valuation specialists to assess the macroeconomic scenarios used by the Group in its internal models to estimate the expected loss. Lastly, we analyzed whether disclosures in the notes to the condensed consolidated interim financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Classification and measurement of financial instruments at fair value

See notes 7 and 9 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
The classification and initial measurement of financial instruments (essentially financial assets and derivatives) may require a high level of judgment and complex estimates, and determines the criteria to be applied in their subsequent measurement. At 30 June 2020, the Group has financial assets and financial liabilities held for trading amounting to Euros 119,332 million and Euros 108,624 million, respectively, of which Euros 88,727 million and Euros 81,671 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (therefore classified as level 2 or 3 for measurement purposes). As a result of the COVID-19 pandemic, volatility in the financial markets and in interest rates has increased, there have been sharp declines in value, greater illiquidity of financial assets and higher credit risk for securities issuers, all of which has diminished the observability of the market data needed to measure these financial instruments, making their measurement more complex. In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models that require a high degree of subjectivity, which has in turn increased due to the situation arising from the COVID-19 pandemic. We have therefore considered the estimate of fair value through these measurement methods as a key audit matter.	In relation to the classification and measurement of financial instruments at fair value, we performed control tests and tests of detail on the Group's decisions and estimates, with the involvement of our own specialists in this area. Our procedures relating to the assessment of the relevant controls linked to the processes for classifying and measuring financial instruments were focused on identifying the risk management framework and controls over operations in the financial markets in which the Group operates, evaluating the application of the Group's policies and procedures for the recognition and classification of instruments based on existing business models and their contractual characteristics, and examining the key controls associated with the process of measuring financial instruments and with the analysis of the integrity, accuracy and updating of the data used and of the control and management process in place for the existing databases. With regard to the tests of detail performed, we selected a sample of the financial instruments measured at fair value and assessed the appropriateness of their classification, the suitability of the measurement criterion used, as well as the reasonableness of such measurement and of the adjustments made by the Group to the parameters and data that have been affected by the impacts of COVID-19. To this end, we also assessed the reasonableness of the most significant pricing models used by the Group. Lastly, we analyzed whether the information disclosed in the notes to the condensed consolidated interim financial statements has been prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Measurement of goodwill in the USA business unit
See note 17.1 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2020 the Group has recognized impairment in an amount of Euros 2,084 million in relation to goodwill arising on the acquisition of certain entities domiciled in the United States. To measure goodwill the Group must determine the cash generating unit (CGU) to which it pertains, calculate the carrying amount thereof, estimate the recoverable amount of the CGU and identify the facts that may determine whether there are any indications of impairment. This estimate is based, among other aspects, on financial projections that consider, inter alia, expected trends in macroeconomic variables and their impact on the CGU's future business, the internal circumstances of the entity and its competitors, and trends in discount rates. These financial projections have been significantly affected by the impact of the COVID-19 pandemic on the economy and business activity, as well as by expected interest rate trends. Therefore, measuring the goodwill associated with the CGU in the United States entails a high level of judgment and complexity. Due to the relevance of the impairment of goodwill recognized by the Group at 30 June 2020 and the subjective nature of the assumptions and valuation techniques used in the estimate thereof, and taking into consideration the situation arising from the COVID-19 pandemic, this has been considered a key audit matter of the current period.	As part of our audit procedures, we analyzed the processes and key controls established by management in relation to the Group's process for identifying the CGU to which the goodwill in the United States pertains. We also analyzed the Group's impairment testing of goodwill, which was reviewed by independent experts hired by the Group. Additionally, we performed tests of detail, with the collaboration of our corporate business valuation specialists, in relation to the impairment testing of this goodwill, particularly on the reliability of the information used, the reasonableness of the methodology applied to calculate the recoverable amount of the CGU in the United States, and the main assumptions considered, as well as the reasonableness of the adjustments made to the assumptions that have been affected by the impacts of COVID-19. Lastly, we analyzed whether the information disclosed in the notes to the condensed consolidated interim financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Group.

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Risks associated with information technology

Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to different countries, as well as local data processing centers, such as those in Turkey, Argentina and the United States. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Group's financial information is processed correctly. In this environment, it is essential to ensure appropriate coordination and standardization in the management of technological risks that could impact on information systems in key areas such as data and program security, systems operations, and development and maintenance of the applications and IT systems used to prepare the financial information. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, encompassing the following: • Understanding of the information flows and identification of the key controls that ensure the processing of information in each Group entity considered relevant for audit purposes. • Testing of the key automated processes involved in generating the financial information. • Analysis of the relevant data and systems migrations occurring in the period. • Testing of application and systems controls related with access to and processing of the information and with the security settings of those applications and systems. • Testing of controls over operations, maintenance and development of applications and systems. • Aggregation and analysis of deficiencies identified and monitoring of the improvement measures undertaken by the entities at both local and Group level.

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Emphasis of Matter

We draw your attention to the accompanying note 1.2, which states that these condensed consolidated interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2019. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Interim Management Report

Other information solely comprises the consolidated interim management report for the six-month period ended 30 June 2020, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the condensed consolidated interim financial statements.

Our audit opinion on the condensed consolidated interim financial statements does not encompass the consolidated interim management report. Our responsibility for the consolidated interim management report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated interim management report with the condensed consolidated interim financial statements, based on knowledge of the Group obtained during the audit of the aforementioned condensed consolidated interim financial statements and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the consolidated interim management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have verified that the information contained in the consolidated interim management report is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2020, and the content and presentation of the report are in accordance with applicable legislation.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Bank's Directors' and Audit Committee's Responsibility for the Condensed Consolidated Interim Financial Statements

The Directors of the Bank are responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union for the preparation of condensed interim financial information, pursuant to article 12 of Royal Decree 1362/2007, and for such internal control as they determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated interim financial statements, the Bank's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Bank's Audit Committee is responsible for overseeing the preparation and presentation of the condensed consolidated interim financial statements.

Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed consolidated interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these condensed consolidated interim financial statements.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.

- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures, and whether the condensed consolidated interim financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Bank's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them concerning all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020, and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 13 March 2020 for a period of one year, from the year commenced 1 January 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

Services Provided

Non-audit services provided by KPMG Auditores, S.L. to the Group during the six-month period ended 30 June 2020 comprised limited review work on the interim financial statements, comfort letters in relation to debt and equity issuances, and work related to regulatory requirements imposed the supervisory bodies.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors (“ROAC”) with No. S0702

(*Signed on original in Spanish*)

Luis Martin Riaño
On the Spanish Official Register of Auditors (“ROAC”) with No. 18,537

31 July 2020

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019

ASSETS (Millions of Euros)	Notes	June 2020	December 2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**8**	**65,877**	**44,303**
FINANCIAL ASSETS HELD FOR TRADING	**9**	**119,332**	**102,688**
Derivatives		49,239	33,185
Equity instruments		5,862	8,892
Debt securities		26,640	26,309
Loans and advances to central banks		636	535
Loans and advances to credit institutions		24,912	21,286
Loans and advances to customers		12,044	12,482
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**4,998**	**5,557**
Equity instruments		4,058	4,327
Debt securities		250	110
Loans and advances to customers		690	1,120
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**1,098**	**1,214**
Debt securities		1,098	1,214
Loans and advances		-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**12**	**70,045**	**61,183**
Equity instruments		1,789	2,420
Debt securities		68,223	58,731
Loans and advances to credit institutions		33	33
FINANCIAL ASSETS AT AMORTIZED COST	**13**	**450,222**	**439,162**
Debt securities		43,396	38,877
Loans and advances to central banks		4,773	4,275
Loans and advances to credit institutions		14,842	13,649
Loans and advances to customers		387,212	382,360
DERIVATIVES - HEDGE ACCOUNTING	**14**	**2,531**	**1,729**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**14**	**60**	**28**
JOINT VENTURES AND ASSOCIATES	**15**	**1,366**	**1,488**
Joint ventures		150	154
Associates		1,216	1,334
INSURANCE AND REINSURANCE ASSETS	**22**	**332**	**341**
TANGIBLE ASSETS	**16**	**9,057**	**10,068**
Properties, plant and equipment		8,796	9,816
For own use		8,578	9,554
Other assets leased out under an operating lease		217	263
Investment properties		261	252
INTANGIBLE ASSETS	**17**	**4,623**	**6,966**
Goodwill		2,760	4,955
Other intangible assets		1,863	2,010
TAX ASSETS	**18**	**16,718**	**17,083**
Current tax assets		1,182	1,765
Deferred tax assets		15,536	15,318
OTHER ASSETS	**19**	**4,360**	**3,800**
Insurance contracts linked to pensions		-	-
Inventories		615	581
Other		3,744	3,220
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**20**	**3,205**	**3,079**
TOTAL ASSETS	**5**	**753,824**	**698,690**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019

LIABILITIES AND EQUITY (Millions of Euros)	Notes	June 2020	December 2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**9**	**108,624**	**89,633**
Derivatives		50,154	35,019
Short positions		11,832	12,249
Deposits from central banks		5,685	7,635
Deposits from credit institutions		28,617	24,969
Customer deposits		12,335	9,761
Debt certificates		-	-
Other financial liabilities		-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**9,203**	**10,010**
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		914	944
Debt certificates		4,202	4,656
Other financial liabilities		4,087	4,410
Memorandum item: Subordinated liabilities		-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**21**	**559,713**	**516,641**
Deposits from central banks		46,667	25,950
Deposits from credit institutions		32,356	28,751
Customer deposits		402,184	384,219
Debt certificates		64,421	63,963
Other financial liabilities		14,085	13,758
Memorandum item: Subordinated liabilities		*16,886*	*18,018*
DERIVATIVES - HEDGE ACCOUNTING	**14**	**2,368**	**2,233**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**14**	**-**	**-**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**22**	**9,462**	**10,606**
PROVISIONS	**23**	**6,494**	**6,538**
Pensions and other post employment defined benefit obligations		4,427	4,631
Other long term employee benefits		53	61
Provisions for taxes and other legal contingencies		738	677
Commitments and guarantees given		774	711
Other provisions		502	457
TAX LIABILITIES	**18**	**2,529**	**2,808**
Current tax liabilities		560	880
Deferred tax liabilities		1,968	1,928
OTHER LIABILITIES	**19**	**4,107**	**3,742**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**1,769**	**1,554**
TOTAL LIABILITIES		**704,269**	**643,765**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	Notes	June 2020	December 2019 (*)
SHAREHOLDERS' FUNDS		**56,541**	**58,950**
Capital	**25**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		-	-
Share premium		**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**
Other equity		**37**	**56**
Retained earnings	**26**	**30,589**	**29,388**
Revaluation reserves		**-**	**-**
Other reserves	**26**	**(160)**	**(119)**
Reserves or accumulated losses of investments in joint ventures and associates		(160)	(119)
Other		-	-
Less: treasury shares		**(28)**	**(62)**
Profit or loss attributable to owners of the parent		**(1,157)**	**3,512**
Less: Interim dividends		**-**	**(1,084)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**27**	**(12,822)**	**(10,226)**
Items that will not be reclassified to profit or loss	**27**	**(2,253)**	**(1,875)**
Actuarial gains (losses) on defined benefit pension plans		(1,381)	(1,498)
Non-current assets and disposal groups classified as held for sale		1	2
Share of other recognized income and expense of investments in joint ventures and associates		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(940)	(403)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		67	24
Items that may be reclassified to profit or loss	**27**	**(10,570)**	**(8,351)**
Hedge of net investments in foreign operations (effective portion)		(312)	(896)
Foreign currency translation		(12,351)	(9,147)
Hedging derivatives. Cash flow hedges (effective portion)		308	(44)
Fair value changes of debt instruments measured at fair value through other comprehensive income		1,830	1,760
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		(27)	(18)
Share of other recognized income and expense of investments in joint ventures and associates		(19)	(5)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**28**	**5,836**	**6,201**
Accumulated other comprehensive income (loss)		(6,148)	(5,572)
Other items		11,984	11,773
TOTAL EQUITY		**49,555**	**54,925**
TOTAL EQUITY AND TOTAL LIABILITIES		**753,824**	**698,690**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)

	Notes	June 2020	December 2019 (*)
Loan commitments given	30	134,494	130,923
Financial guarantees given	30	10,989	10,984
Other commitments given	30	38,563	39,209

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Condensed consolidated income statements for the six months ended June 30, 2020 and 2019

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	June 2020	June 2019 (*)
Interest and other income	32.1	13,228	15,633
Interest expense	32.2	(4,574)	(6,691)
NET INTEREST INCOME		**8,653**	**8,941**
Dividend income	33	77	103
Share of profit or loss of entities accounted for using the equity method	34	(17)	(19)
Fee and commission income	35	3,325	3,661
Fee and commission expense	35	(1,024)	(1,191)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	36	229	67
Gains (losses) on financial assets and liabilities held for trading, net	36	187	173
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	36	129	98
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	36	205	(3)
Gains (losses) from hedge accounting, net	36	41	73
Exchange differences, net	36	316	134
Other operating income	37	230	337
Other operating expense	37	(848)	(995)
Income from insurance and reinsurance contracts	38	1,307	1,547
Expense from insurance and reinsurance contracts	38	(765)	(983)
GROSS INCOME		**12,045**	**11,944**
Administration costs		(4,746)	(5,084)
Personnel expense	39.1	(2,875)	(3,131)
Other administrative expense	39.2	(1,872)	(1,953)
Depreciation and amortization	40	(766)	(790)
Provisions or reversal of provisions	41	(541)	(261)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(4,146)	(1,731)
Financial assets measured at amortized cost		(4,075)	(1,727)
Financial assets at fair value through other comprehensive income		(71)	(5)
NET OPERATING INCOME		**1,846**	**4,077**
Impairment or reversal of impairment of investments in joint ventures and associates	43	(60)	-
Impairment or reversal of impairment on non-financial assets	44	(2,149)	(44)
Tangible assets		(62)	(30)
Intangible assets		(2,087)	(1)
Other assets		-	(13)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	45	4	8
Negative goodwill recognized in profit or loss		-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	46	(9)	11
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(368)**	**4,052**
Tax expense or income related to profit or loss from continuing operations		(455)	(1,136)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**(823)**	**2,916**
Profit (loss) after tax from discontinued operations		-	-
PROFIT FOR THE PERIOD		**(823)**	**2,916**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	28	**333**	**475**
ATTRIBUTABLE TO OWNERS OF THE PARENT	5	**(1,157)**	**2,442**

	June 2020	June 2019 (*)
EARNINGS PER SHARE (Euros)	**(0.20)**	**0.34**
Basic earnings (losses) per share from continued operations	(0.20)	0.34
Diluted earnings (losses) per share from continued operations	(0.20)	0.34
Basic earnings (losses) per share from discontinued operations	-	-
Diluted earnings (losses) per share from discontinued operations	-	-

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated statements of recognized income and expense for the six months ended June 30, 2020 and 2019

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	June 2020	June 2019 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**(823)**	**2,916**
OTHER RECOGNIZED INCOME (EXPENSE)	**(3,173)**	**95**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(375)**	**(242)**
Actuarial gains (losses) from defined benefit pension plans	167	(208)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of entities accounted for using the equity method	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(560)	4
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	62	(130)
Income tax related to items not subject to reclassification to income statement	(44)	92
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(2,798)**	**337**
Hedge of net investments in foreign operations (effective portion)	**573**	**(327)**
Valuation gains (losses) taken to equity	573	(327)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**(3,835)**	**(79)**
Translation gains (losses) taken to equity	(3,836)	(79)
Transferred to profit or loss	1	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	**484**	**57**
Valuation gains (losses) taken to equity	484	75
Transferred to profit or loss	-	(18)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**130**	**975**
Valuation gains (losses) taken to equity	210	997
Transferred to profit or loss	(79)	(23)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**(9)**	**(1)**
Valuation gains (losses) taken to equity	(9)	(1)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Entities accounted for using the equity method	**(14)**	**6**
Income tax relating to items subject to reclassification to income statements	**(127)**	**(293)**
TOTAL RECOGNIZED INCOME/EXPENSE	(3,996)	3,011
Attributable to minority interest (non-controlling interest)	**(243)**	**213**
Attributable to the parent company	**(3,753)**	**2,798**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 31, 2020.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated statements of changes in equity for the six months ended June 30, 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
June 2020	**Capital (Note 25)**	**Share Premium**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 26)**	**Revaluation reserves**	**Other reserves (Note 26)**	**(-) Treasury shares**	**Profit or loss attributable to owners of the parent**	**Interim dividend (Note 4)**	**Accumulated other comprehensive income (Note 27)**	**Accumulated other comprehensive income (Note 28)**	**Other (Note 28)**	**Total**
Balances as of January 1, 2020 (*)	3,267	23,992	-	56	26,402	-	(125)	(62)	3,512	(1,084)	(7,235)	(3,526)	9,727	54,925
Effect of changes in accounting policies (see Note 1.3)	-	-	-	-	2,985	-	6	-	-	-	(2,992)	(2,045)	2,045	-
Adjusted initial balance	3,267	23,992	-	56	29,388	-	(119)	(62)	3,512	(1,084)	(10,226)	(5,572)	11,773	54,925
Total income/expense recognized	-	-	-	-	-	-	-	-	(1,157)	-	(2,596)	(577)	333	(3,996)
Other changes in equity	-	-	-	(19)	1,201	-	(41)	34	(3,512)	1,084	-	-	(122)	(1,374)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,065)	-	-	-	-	-	-	-	(122)	(1,187)
Purchase of treasury shares	-	-	-	-	-	-	-	(494)	-	-	-	-	-	(494)
Sale or cancellation of treasury shares	-	-	-	-	(2)	-	-	528	-	-	-	-	-	526
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	2,467	-	(39)	-	(3,512)	1,084	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(21)	-	-	-	-	-	-	-	-	-	(21)
Other increases or (-) decreases in equity	-	-	-	2	(198)	-	(2)	-	-	-	-	-	-	(198)
Balances as of June 30, 2020	3,267	23,992	-	37	30,589	-	(160)	(28)	(1,157)	-	(12,822)	(6,148)	11,984	49,555

(*) Balances as of December 31, 2019 as originally reported in the consolidated Financial Statements for the year 2019.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated statements of changes in equity for the six months ended June 30, 2019

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2019 (*)	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves	Other reserves (Note 26)	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividend (Note 4)	Accumulated other comprehensive income (Note 27)	Non-controlling interest		Total
												Accumulated other comprehensive income (Note 28)	Other (Note 28)	
Balances as of January 1, 2019 (**)	3,267	23,992	-	50	23,017	3	(57)	(296)	5,324	(975)	(7,215)	(3,236)	9,000	52,874
Effect of changes in accounting policies (see Note 1.3)	-	-	-	-	3,045	-	20	-	76	(134)	(3,007)	(2,054)	2,054	-
Adjusted initial balance	3,267	23,992	-	50	26,062	3	(37)	(296)	5,400	(1,109)	(10,223)	(5,290)	11,054	52,874
Total income/expense recognized	-	-	-	-	-	-	-	-	2,442	-	356	(261)	475	3,011
Other changes in equity	-	-	-	(7)	3,293	(1)	(40)	197	(5,400)	901	-	-	(138)	(1,196)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,060)	-	(3)	-	-	-	-	-	(138)	(1,201)
Purchase of treasury shares	-	-	-	-	-	-	-	(591)	-	-	-	-	-	(591)
Sale or cancellation of treasury shares	-	-	-	-	18	-	-	788	-	-	-	-	-	806
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	4,329	(1)	(37)	-	(5,400)	1,109	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Other increases or (-) decreases in equity	-	-	-	(4)	5	-	-	-	-	(208)	-	-	-	(207)
Balances as of June 30, 2019	3,267	23,992	-	43	29,356	1	(77)	(99)	2,442	(208)	(9,867)	(5,551)	11,390	54,690

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

(**) Balances as of December 31, 2018 as originally reported in the consolidated Financial Statements for the year 2018.

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Condensed consolidated statements of cash flows for the six months ended June 30, 2020 and 2019

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)	June 2020	June 2019 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**27,354**	**(14,120)**
1. Profit for the period	**(823)**	**2,916**
2. Adjustments to obtain the cash flow from operating activities:	**7,962**	**4,225**
Depreciation and amortization	766	790
Other adjustments	7,197	3,435
3. Net increase/decrease in operating assets	**(70,785)**	**(38,318)**
Financial assets held for trading	(20,972)	(14,707)
Non-trading financial assets mandatorily at fair value through profit or loss	(196)	247
Other financial assets designated at fair value through profit or loss	116	(337)
Financial assets at fair value through other comprehensive income	(11,468)	(7,114)
Financial assets at amortized cost	(37,577)	(18,072)
Other operating assets	(688)	1,665
4. Net increase/decrease in operating liabilities	**91,749**	**17,297**
Financial liabilities held for trading	22,594	10,206
Other financial liabilities designated at fair value through profit or loss	(61)	1,838
Financial liabilities at amortized cost	68,477	4,000
Other operating liabilities	738	1,253
5. Collection/Payments for income tax	**(749)**	**(241)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**(134)**	**(598)**
1. Investment	**(269)**	**(1,030)**
Tangible assets	(14)	(672)
Intangible assets	(256)	(358)
Investments in joint ventures and associates	1	-
Other business units	-	-
Non-current assets classified as held for sale and associated liabilities	-	-
Other settlements related to investing activities	-	-
2. Divestments	**136**	**432**
Tangible assets	3	-
Intangible assets	-	-
Investments in joint ventures and associates	27	358
Subsidiaries and other business units	-	-
Non-current assets classified as held for sale and associated liabilities	105	-
Other collections related to investing activities	-	74
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(2,938)**	**(2,257)**
1. Payments	**(4,558)**	**(4,812)**
Dividends	(1,065)	(1,272)
Subordinated liabilities	(2,634)	(2,613)
Treasury stock amortization	-	-
Treasury stock acquisition	(494)	(591)
Other items relating to financing activities	(365)	(336)
2. Collections	**1,621**	**2,555**
Subordinated liabilities	1,095	1,749
Treasury shares increase	-	-
Treasury shares disposal	526	806
Other items relating to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**(2,709)**	**3,345**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**21,573**	**(13,631)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**44,303**	**58,196**
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)	**65,877**	**44,565**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE PERIOD (Millions of Euros) (**)	Notes	June 2020	June 2019 (*)
Cash	8	5,669	5,544
Balance of cash equivalent in central banks	8	60,207	39,021
Other financial assets		-	-
Less: Bank overdraft refundable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**65,877**	**44,565**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

(**) The composition of the balance of cash and cash equivalents within central banks of the consolidated statements of cash flows has been modified, this modification is not relevant to the condensed interim consolidated financial statements as a whole. For the purpose of comparison, the information for the six months ended June 30, 2019 has been restated.

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020.

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Notes to the condensed interim consolidated financial statements as of and for the six months ended June 30, 2020

1. Introduction, basis for the presentation of the condensed interim consolidated financial statements and other information

1.1 Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "the Bank" or "BBVA") is a private-law entity subject to the laws and regulations governing banking entities operating in Spain. It carries out its activity through branches and agencies across the country and abroad.

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4, Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own separate financial statements, the Bank is required to prepare consolidated financial statements comprising all consolidated subsidiaries of the Group.

The consolidated Financial Statements of the BBVA Group for the year ended December 31, 2019 were approved by the shareholders at the Annual General Meeting ("AGM") on March 13, 2020.

1.2 Basis for the presentation of the condensed interim consolidated financial statements

The BBVA Group's condensed interim consolidated financial statements (hereinafter, the "consolidated Financial Statements") are presented in accordance with the International Accounting Standard "Interim Financial Reporting" ("IAS 34") and have been prepared by the Board of Directors at its meeting held on July 29, 2020. In accordance with IAS 34, the interim financial information is prepared solely for the purpose of updating the last annual consolidated Financial Statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in those consolidated Financial Statements.

Therefore, the accompanying consolidated Financial Statements do not include all information required by a complete set of consolidated Financial Statements prepared in accordance with International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS"), consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated Financial Statements of the Group as of and for the year ended December 31, 2019.

The aforementioned annual consolidated Financial Statements were prepared in accordance with the EU-IFRS applicable as of December 31, 2019, considering the Bank of Spain Circular 4/2017, (as amended thereafter) and any other legislation governing financial reporting applicable to the Group in Spain.

The accompanying consolidated Financial Statements were prepared applying principles of consolidation, accounting policies and valuation criteria, which, as described in Note 2, are the same as those applied in the consolidated Financial Statements of the Group as of and for the year ended December 31, 2019, taking into consideration the new Standards and Interpretations that became effective from January 1, 2020 (see Note 2.1), so that they present fairly the Group's consolidated equity and financial position as of June 30, 2020, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the six months ended June 30, 2020.

The consolidated Financial Statements and explanatory notes were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. They include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the entities in the Group.

All effective accounting standards and valuation criteria with a significant effect in the consolidated Financial Statements were applied in their preparation.

The amounts reflected in the accompanying consolidated Financial Statements are presented in millions of euros, unless it is more appropriate to use smaller units. Therefore, some items that appear without a balance in these consolidated Financial Statements are due to how the units are expressed. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the totals appearing in some tables are not the exact arithmetical sum of their component figures.

The percentage changes in amounts have been calculated using figures expressed in thousands of euros.

When determining the information to disclose about various items of the consolidated financial statements, the Group, in accordance with IAS 34, has taken into account their materiality in relation to the consolidated financial statements.

1.3 Comparative information

The information included in the accompanying consolidated Financial Statements and the explanatory notes relating to December 31, and June 30, 2019, is presented for the purpose of comparison with the information for June 30, 2020.

Hyperinflationary economies

Considering the interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) in its "IFRIC Update" of March 2020 on IAS 29 "Financial information in hyperinflationary economies", the Group made an accounting policy change which involves recording the differences generated when translating the restated financial statements of the subsidiaries in hyperinflationary economies into euros in the line item "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Foreign currency translation" of our consolidated balance sheet.

In order to make the information as of December 31, 2019 comparable with information as of June 30, 2020, the former has been restated by reclassifying €2,985 million from "Shareholders' funds – Retained earnings" and €6 million from "Shareholders' funds – Other reserves" to "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Foreign currency translation".

The reclassification has been recorded as "Effect of changes in accounting policies" under the balance as of January 1, 2019 in the consolidated statement of changes in equity for the six-month period ended June 30, 2019.

IFRS 9 – collection of interest on impaired financial assets

As a consequence of the application of the interpretation issued by the IFRIC in its "IFRIC Update" of March 2019 regarding the collection of interest on impaired financial assets under IFRS 9, such collections are presented since 2020 as reductions in credit-related write-offs whereas previously they were included as interest income. In order to make the information for the six months ended June 30, 2019 comparable with the information for the six months ended June 30, 2020, the unaudited condensed interim consolidated income statement for the six months ended June 30, 2019 has been restated by recognizing a €45 million reduction in the heading "Interest and other income" and a €45 million increase in the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification". This reclassification has had no impact on the profit for the period for the six months ended June 30, 2019 or on the consolidated total equity as of June 30, 2019.

1.4 Seasonal nature of income and expense

The nature of the most significant activities carried out by the BBVA Group's entities is mainly related to typical activities carried out by financial institutions, and are not significantly affected by seasonal factors within the same year.

1.5 Management and impacts of the COVID-19 pandemic

The appearance of the Coronavirus COVID-19 in China and its global expansion to a large number of countries, has motivated the viral outbreak to be classified as a global pandemic by the World Health Organization since last March 11, 2020. The pandemic has affected and continues to adversely affect the world economy and economic activity and conditions in the countries in which the Group operates, leading many of them to economic recession.

In this pandemic situation, BBVA has focused its attention on ensuring the continuity of the business operational security as a priority and monitoring the impacts on the business and on the risks of the Group (such as the impacts on results, capital or liquidity). Additionally, BBVA adopted from the beginning a series of measures to support its main interest groups. In this sense, the purpose and the Group's long-term strategic priorities remain the same and are even reinforced, with a commitment to technology and data-driven decision-making.

With the aim of mitigating the impact of COVID-19, various European and International bodies have made pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks. The BBVA Group has taken these pronouncements into consideration when preparing this report (see Note 6.2.1).

The main impacts of COVID-19 pandemic in the BBVA Group's consolidated Financial Statements are detailed in the following explanatory notes:

- Note 1.6 includes information on the consideration of the COVID-19 pandemic in the estimates made.
- Note 4 mentions the amendment of the Group's shareholder remuneration policy, in accordance with the recommendation issued by the European Central Bank, which no longer pays any amount as a dividend for the financial year 2020 until as long as the uncertainties generated by the pandemic remain.
- Note 6.1 details the main risks associated with the pandemic as well as the impacts that have occurred both in the activity and in the consolidated financial statements for the first half of 2020.
- Note 6.2 includes information related to the initiatives carried out by the Group to help the most affected clients, jointly with the corresponding governments. Likewise, it contains, among others, information regarding the number of operations and the amount corresponding to moratorium measures, both public and private, granted by the Group worldwide.
- Note 6.3 presents information regarding the impact on liquidity and financing risk.
- Note 17.1 includes information concerning the impairment of the goodwill in the United States carried out for the six months ended June 30, 2020, mainly due to the impact of COVID-19 in updating the macroeconomic scenario and the expected evolution of interest rates.
- Note 29 includes information with regard to the impact on the Group's capital.

1.6 Responsibility for the information and for the estimates made

The information contained in the BBVA Group's consolidated Financial Statements is the responsibility of the Group's Directors.

Estimates were required to be made at times when preparing these consolidated Financial Statements in order to calculate the recorded or disclosed amount of some assets, liabilities, income, expense and commitments. These estimates relate mainly to the following:

- Loss allowances on certain financial assets (see Notes 6, 12, 13 and 15).
- The assumptions used to quantify certain provisions (see Notes 22 and 23) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 24).
- The useful life and impairment losses of tangible and intangible assets (see Notes 16, 17, 19 and 20).
- The valuation of goodwill and price allocation of business combinations (see Note 17).
- The fair value of certain unlisted financial assets and liabilities (see Note 7, 9, 10, 11, 12 and 14).
- The recoverability of deferred tax assets (see Note 18).

On March 11, 2020, COVID-19 was declared as a global pandemic by the World Health Organization (see Note 1.5). The great uncertainty associated to the unprecedented nature of this pandemic entails a greater complexity of developing reliable estimations and applying judgment.

Therefore, these estimates have been made on the basis of the best available information on the matters analyzed, as of June 30, 2020. However, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the corresponding consolidated income statement.

1.7 Separate interim financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain, as amended thereafter, and following other regulatory requirements of financial information applicable to it).

Appendix I shows the interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of and for the six-months ended June 30, 2020.

2. Principles of consolidation, accounting policies, measurement bases applied and recent IFRS pronouncements and interpretations

The accounting policies and methods applied for the preparation of the accompanying consolidated Financial Statements do not differ significantly to those applied in the consolidated Financial Statements of the Group for the year ended December 31, 2019 (Note 2), except for the entry into force of new standards and interpretations in 2020.

2.1 Standards and interpretations that became effective in the first six months of 2020

In addition to the mentioned in Note 1.3, the following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2020:

IAS 1 and IAS 8 – "Definition of Material"

The amendments clarify the definition of Material in the preparation of the financial statements by aligning the definition of the Conceptual Framework, IAS 1 and IAS 8 (which, before such amendment, contained similar but not identical definitions). The new definition of material is as follows: "information is material if its omission, misrepresentation or obscuration can reasonably be expected to influence the decisions made by the primary users of a specific entity's general purpose financial statements, based on those financial statements."

The implementation of this standard has had no significant impact on the Group´s consolidated financial statements.

IFRS 3 – "Definition of a business"

The amendment clarifies the difference between "acquiring a business" or "acquiring a group of assets" for accounting purposes. To determine whether a transaction is the acquisition of a business, an entity has to evaluate and conclude that the following two conditions are met:

- The fair value of the assets acquired is not in a single asset or group of similar assets.
- The set of acquired activities and assets includes, as a minimum, an input and a substantive process that together contribute to the ability to create products.

The implementation of this standard has had no significant impact on the Group´s consolidated financial statements.

IFRS 9, IAS 39 and IFRS 7 – Modifications – IBOR Reform

The IBOR Reform (Phase 1) refers to the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB to prevent some hedge accounting from having to be discontinued in the period before the reform of the interest rate references takes place. As the Group applies IAS 39 for hedge accounting, the amendments of IFRS 9 which are stated in this section are not applicable.

In some cases and / or jurisdictions, there may be uncertainty about the future of some interest rate references or their impact on the contracts held by the entity, which directly causes uncertainty about the timing or amounts of the cash flows of the hedged instrument or hedging instrument. Due to such uncertainties, some entities may be forced to discontinue their hedge accounting, or not be able to designate new hedging relationships.

For this reason, the amendments include several transitory reliefs that apply to all hedging relationships that are affected by the uncertainty arising from the IBOR reform; A hedging relationship is affected by the reform if it generates uncertainty about the timing or amount of the cash flows of the hedged financial instrument or that of a hedging instrument referenced to the particular interest rate benchmark. The reliefs refer specifically to the requirements for highly probable future cash flow hedging transactions, to the future and retrospective effectiveness (relief of the compliance of the effectiveness ratio of 80-125%) and to the need to identify each risk component separately.

Since the purpose of the modification is to provide some temporary relief to the application of certain specific requirements of hedge accounting, these exceptions must end once the uncertainty is resolved or the hedging relationship ceases to exist.

The IBORs transition is considered a complex initiative, which affects BBVA Group in different geographical areas and business lines, as well as in multiple products, systems and processes. Thus, the Group has established a transition project, endowed with a robust governance structure, through an Executive Steering Committee, with representation from senior management in the affected areas, reporting directly to the Group's Global Leadership Team. At the local level, each geography has defined a local government structure with the participation of senior management. Coordination between geographies is done through the Project Management Office (PMO) and the Global Working Groups that have a multi-geographic and transversal vision in the areas of Legal, Risk, Regulatory, Finance and Accounting, Engineering and Communication. The project also involves both Corporate Assurance from different geographies and business lines and the Group's Global Corporate Assurance.

BBVA Group has a significant number of financial assets and liabilities whose contracts are referenced to IBORs, especially the EURIBOR, which is used, among others, for loans, deposits and debt issues, as well as underlying in derivative financial instruments. Furthermore, although the exposure to EONIA is lower in the banking book, this IBOR is used as the underlying reference in derivative financial instruments of the trading book, as well as for the treatment of collaterals, mainly in Spain. In the case of LIBOR, the USD is the most relevant currency for, both, debt instruments of the banking book and the trading book. Other LIBOR currencies (CHF, GBP and JPY) have a lower specific weight.

Likewise, the Group maintains cash flow and fair value hedges which are exposed to different IBORs, especially with the EURIBOR, LIBOR USD and to a much lesser extend LIBOR GBP and other indices. The Group considers the amendments to IAS 39 and IFRS 7 applicable in the case of uncertainties about the future cash flows.

As of June 30, 2020, the Group estimates that there exist generally no uncertainties regarding the EURIBOR, as it has been replaced by a hybrid EURIBOR which counts with a methodology that complies with the requirements of the different international institutions. In the case of the rest of the indices which are used for hedge accounting, despite the uncertainty, based on the reliefs which are foreseen in the standard, the hedging relations for the six-month period ended June 2020, have not been affected.

The assumptions made by the Group based on these reliefs are that in the case of cash flow hedges, those hedged cash flows will not be modified because of the reform and, therefore, continue to comply with the requirement of the future transaction to be highly probable. Likewise, at the time of performing the effectiveness test, it is assumed that the reference indices will not be modified by the reform.

The aforementioned project takes into account the different approaches and transition deadlines to the new RFRs (risk-free rate) when evaluating the economic, operational, legal, financial, reputational or compliance risks associated with the transition, as well as when defining the action lines to mitigate them. A relevant aspect of this transition is its impact on contracts of financial instruments referenced to IBORs maturing after 2021. In this regard, in the case of EONIA, BBVA aims to carry out a novation of contracts maturing after 2021. The Group already has new contractual clauses that incorporate the €STR as a substitute index as well as contractual clauses to incorporate this index as the principal for new contracts. Regarding derivatives, in which EONIA is mainly used, the actions are carried out through the ISDA plan. In the case of LIBOR, there is an additional difficulty related to uncertainty regarding its future. To anticipate, the Group is working on identifying the stock of contracts maturing after 2022 to determine its action plan (including - if possible - the novation of such contracts) and with a view to carrying out actions in cooperation with banking associations. Meanwhile, in the case of EURIBOR, the European authorities have supported the continuity of the index and have supported modifications in its methodology so that it complies with the requirements of the European Reference Index Regulation. BBVA actively participates in various working groups, including the EURO RFR WG that works specifically, among other topics, in the definition of fallbacks in contracts.

The nominal amounts of the interest rate derivatives included in the hedging accounting relations represent the approach of the risk exposure that the Group is managing and are directly affected by the reform and, as a consequence, affected by the temporary reliefs. The nominal amount of the hedging instruments directly affected by the IBOR reform as of June 30, 2020 are the following:

Millions of Euros	LIBOR USD	LIBOR GBP	Other - TIIE (*)	TOTAL
Cash flow hedges	10,318	-	601	10,920
Fair value hedges	12,667	299	2,621	15,588

(*) Equilibrium Interbank Interest Rate used in Mexico.

2.2 Standards and interpretations issued but not yet effective as of June 30, 2020

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying consolidated Financial Statements, but are not mandatory as of June 30, 2020. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IFRS 16 –Leases – COVID-19 modifications

On May 28, 2020, the IASB approved an amendment to IFRS 16 to include a practical expedient to the accounting treatment for rent concessions (moratoriums and temporary rent reductions) that occur due to COVID-19 (see Note 1.5).

The amendment permits lessees to account for rent concessions as if they were not lease modifications to the initial ones. It is applicable to rent concessions related to COVID-19, which reduces lease payments before June 30, 2021.

This amendment is effective from June 1, 2020 and is expected to be endorsed by the European Union in the second half of 2020. The amendment is not expected to have a significant impact on the consolidated Financial Statements of the Group.

IFRS 17 – Insurance contracts

This Standard will be applied to the accounting years starting on or after January 1, 2023.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking and asset management. The Group also operates in the insurance sector.

The following information is detailed in the Appendices to the consolidated Financial Statements of the Group for the year ended December 31, 2019:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in subsidiaries, joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with an active presence in other areas of Europe and Asia (see Note 5).

Significant transactions in the first six months of 2020

Agreement for the alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in Spain including a long-term exclusive distribution agreement for the sale of property-casualty insurance products through BBVA's banking network in Spain. BBVA will transfer its non-life insurance business in Spain, excluding the health insurance line, to the new joint venture. Excluding a variable part of the price to be paid by Allianz (which may amount to up to €100 million related to achieving specific business goals and certain milestones), it is expected that the transaction will generate a profit net of taxes amounting to approximately €300 million, and that the positive impact on the fully loaded CET1 capital ratio of the BBVA Group will be approximately 7 basis points. The closing of the transaction is subject to obtaining the relevant regulatory authorizations from the competent authorities.

Significant transactions in 2019

Sale of BBVA's stake in BBVA Paraguay

BBVA reached an agreement with Banco GNB Paraguay S.A., a subsidiary of Grupo Financiero Gilinski, for the sale of its shareholding, directly and indirectly, in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay"). BBVA owned, directly and indirectly, 100% of its share capital in BBVA Paraguay.

The sale price of the BBVA Paraguay shares amounts to approximately $270 million. In this type of transaction, the price is subject to adjustments between the date of signature and the closing date of the operation.

It is estimated that the gains (net of taxes) will amount to approximately €20 million and the positive impact on the Common Equity Tier 1 (fully loaded) of the BBVA Group will be approximately 6 basis points. The closing of the transaction is subject to obtaining the relevant regulatory approvals from the appropriate authorities.

4. Shareholder remuneration system

The Annual General Meeting of March 13, 2020, approved the payment in cash of €0.16 (€0.1296 net of withholding tax) for all outstanding BBVA shares as final dividend for 2019. The dividend was paid on April 9, 2020 (see Note 49.1).

On April 30, 2020, in accordance with the recommendation ECB/2020/19 issued by the ECB on March 27, 2020 on dividend distributions during the COVID-19 pandemic, the Board of Directors of BBVA has resolved to modify the dividend policy of the Group, as announced on February 1, 2017, for the 2020 financial year, determining not to pay any dividend corresponding to such year until the uncertainties caused by the COVID-19 pandemic disappear and, in any case, not before the end of such year.

5. Operating segment reporting

Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

As of June 30, 2020, the structure of the information by business segments of the BBVA Group remains basically the same as that of the closing of 2019 financial year. The BBVA Group's operating segments are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain.

- The United States

  Includes the business activity of BBVA USA and the activity of the branch of BBVA Spain in New York.

- Mexico

  Includes banking and insurance businesses in this country as well as the activity of BBVA Mexico in Houston.

- Turkey

  Reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Primarily includes the Group´s banking and insurance businesses in the region.

- Rest of Eurasia

  Includes the banking business activity carried out by the Group in Asia and Europe, excluding Spain.

Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function, management of structural exchange rate positions and some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings, certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The breakdown of the BBVA Group's total assets by operating segments as of June 30, 2020 and December 31, 2019, is as follows:

Total assets by operating segments (Millions of Euros)

	June 2020	December 2019
Spain	419,475	365,380
The United States	101,118	88,529
Mexico	103,671	109,079
Turkey	63,525	64,416
South America	57,891	54,996
Rest of Eurasia	26,805	23,257
Subtotal assets by operating segments	**772,485**	**705,656**
Corporate Center and adjustments	(18,661)	(6,967)
Total assets BBVA Group	**753,824**	**698,690**

The following table sets forth certain summarized information relating to the income of each operating segment and Corporate Center for the six months ended June 30, 2020 and 2019:

Main margins and profit by operating segments (Millions of Euros)

		Operating segments						
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Corporate Center
June 2020								
Net interest income	8,653	1,793	1,133	2,717	1,534	1,443	102	(69)
Gross income	12,045	2,900	1,607	3,550	1,957	1,664	268	98
Operating income	6,533	1,371	648	2,349	1,394	945	131	(307)
Profit/(loss) before tax	(368)	124	15	891	715	297	89	(2,500)
Net attributable profit (loss) (*)	**(1,157)**	**88**	**26**	**654**	**266**	**159**	**66**	**(2,416)**
June 2019								
Net interest income	8,941	1,763	1,217	3,042	1,353	1,613	85	(132)
Gross income	11,944	2,773	1,615	3,901	1,677	1,994	220	(236)
Operating income	6,069	1,145	655	2,611	1,084	1,215	78	(718)
Profit/(loss) before tax	4,052	1,027	363	1,783	726	847	69	(762)
Net attributable profit (loss) (*)	**2,442**	**734**	**297**	**1,287**	**282**	**404**	**55**	**(616)**

(*) See Note 49.1

The accompanying Interim Consolidated Management Report presents the condensed consolidated income statements and the balance sheets by operating segments.

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of June 30, 2020 do not differ significantly from those included in Note 7 in the consolidated Financial Statements of the Group for the year ended December 31, 2019. Since January 1, 2020, the main changes were due to the effects of the COVID-19 pandemic, as detailed in these consolidated Financial Statements.

6.1 Risk factors

BBVA Group has processes in place for identifying risks and analyzing scenarios in order to enable the Group to manage risks in a dynamic and proactive way.

The risk identification processes are forward looking to seek the identification of emerging risks and take into account the concerns of both the business areas, which are close to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are identified and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyses and stress testing and considers the controls to which the risks are subjected. As part of this process, a forward projection of the risk appetite framework variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Group's business, including the below:

- The coronavirus (COVID-19) pandemic is adversely affecting the Group

  The coronavirus (COVID-19) pandemic has affected, and is expected to continue to adversely affect, the world economy and economic activity and conditions in the countries in which the Group operates, leading many of them to economic recession. Among other challenges, these countries are experiencing widespread increases in unemployment levels and falls in production, while public debt has increased significantly due to support and spending measures implemented by government authorities. In addition, there has been an increase in debt defaults by both companies and individuals, volatility in the financial markets, volatility in exchange rates and falls in the value of assets and investments, all of which have adversely affected the Group's results in the first six months of 2020, and are expected to continue affecting the Group's results in the future.

  Furthermore, the Group may be affected by the measures adopted by regulatory authorities in the banking sector, including but not limited to, the recent reductions in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments until October 1, 2020, the adoption of moratorium measures for bank customers (such as those included in Royal Decree Law 11/2020 in Spain, as well as in the CECA-AEB agreement to which BBVA has adhered and which, among other things, allows loan debtors to extend maturities and defer interest payments) and facilities to grant credit with the benefit of public guarantees, especially to companies and self-employed individuals, as well as changes in the financial asset purchase programs.

  Since the outbreak of COVID-19, the Group has experienced a decline in its activity. For example, the granting of new loans to individuals has significantly decreased since the beginning of the state of emergency or periods of confinement decreed in certain countries in which the Group operates. In addition, the Group faces various risks, such as an increased risk of deterioration in the value of its assets (including financial instruments valued at fair value, which may suffer significant fluctuations) and of the securities held for liquidity reasons, a possible significant increase in non-performing loans and a negative impact on the Group's cost of financing and on its access to financing (especially in an environment where credit ratings are affected).

  In addition, in several of the countries in which the Group operates, including Spain, the Group has temporarily closed a significant number of its offices and reduced hours of working with the public, and the teams that provide central services have been working remotely. These measures are being gradually reversed in some regions, such as Spain, however, due to the continued expansion of the COVID-19 pandemic, it is unclear how long it will take for normal operations to be fully resumed. The COVID-19 pandemic could also adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the greater demand and/or reduced availability of certain resources could in some cases make it more difficult for the Group to maintain the required service levels. Furthermore, the increase in remote working has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

  As a result of the above, while the impact of the COVID-19 pandemic only started to be evident at the end of the first quarter of 2020, it has had an adverse effect on the Group's results for the first half of 2020, as well as on the Group's capital base as of June 30, 2020. The main accumulated impacts have been:

  (i) an increase in the cost of risk associated with the lending activity, mainly due to the deterioration of the macroeconomic environment, which has had a negative impact of €2,009 million in the Group (including the initial adverse effect of the deferment of payment) and provisions for credit risk and contingent commitments for €95 million, (see Notes 6.2, 41 and 42); and

  (ii) a deterioration in the goodwill of the Group's subsidiary in the United States, mainly due to the deterioration of the macroeconomic scenario in the United States, which has had a net negative impact of €2,084 million on the Group's attributed profit in this period (although this impact does not affect the tangible book value, nor the solvency or the liquidity of the Group) (see Notes 17.1 and 44).

  The final magnitude of the impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations, which is expected to be significant, will depend on future and uncertain events, including the intensity and persistence over time of the consequences arising from the COVID-19 pandemic in the different geographies in which the Group operates.

- Macroeconomic and geopolitical risks

Global economy is being severely affected by the COVID-19 pandemic, which has spread to most countries around the world and is affecting their economies in stages due to the lockdown measures, that restrict business, and impact consumer and business confidence. Although many countries in East Asia and Europe now seem to be over the worst of the pandemic and have reopened their economies, it is still spreading in much of the American continent. Governments and central banks have generally implemented fiscal and monetary stimulus measures, which are helping to mitigate the economic impact, but this will not prevent the global economy from entering in a recession during the second half of the year.

During the second quarter of 2020, the financial markets have generally remained stable due to the actions of the central banks in the developed countries (announcements of asset purchases, lending facilities, interest rate reductions) and various fiscal stimulus packages announced by governments. In addition, the relaxing of the lockdown taking place in most countries and the corresponding upturn in economic activity have contributed to improving economic confidence and activity. With respect to the latter, the indicators generally show that the contraction until April was sharper than expected, but that the improvement since May has been robust and relatively widespread, especially in the developed economies where support through the policies has been more significant and effective.

In terms of global growth, BBVA Research expects a V-shaped recovery in economic activity, although without reaching pre-crisis GDP levels. This recovery will be slower than expected and will vary across the different regions. BBVA Research's baseline scenario is based on the assumption that there will be further waves of infections until a vaccine or treatment for COVID-19 becomes available, without it resulting in strict lockdown measures. As a result, growth forecasts have been revised downward in 2020 and upward in 2021, with a higher cumulative loss of GDP over the two-year period, especially in emerging countries. More specifically, BBVA Research has adjusted its global growth forecast from -2.4% to around -3.1% in 2020 and from 4.8% to 5.1% in 2021. However, one should keep in mind that epidemiological, economic, financial and geopolitical factors will lead to uncertainty remaining at exceptionally high levels and this will be a source of risk to economic forecasts.

With regard to the banking system, in an environment in which much of the economic activity has been at a standstill for several months, banking services have played an essential role, fundamentally for two reasons: first, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; second, the granting of new lending or the renewal of existing lending has reduced the impact of the economic slowdown on households and business incomes. In the current situation, it is very important to ensure that the temporary liquidity problems faced by companies do not become solvency problems, thus jeopardizing their survival and the jobs they create. As a result, the support provided by the banks during the months of lockdown and the public guarantees have been essential, as the banks have been the only source of financing for most of the companies.

Although in terms of profitability, European and Spanish banks are still far from the levels seen before the crisis, due mainly to their accumulation of capital and the low interest rate environment we have been experiencing for some time now, the financial institutions are facing this challenge from a healthy position since their solvency has been constantly improving since the 2008 crisis, with increased capital and liquidity buffers and therefore a greater capacity to lend.

- Regulatory and reputational risks

  - Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.
  - The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, the internal control model, the Code of Conduct, the Corporate Principles in tax matters and Responsible Business Strategy of the Group.

- Business, operational and legal risks

  - New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

- Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

- The financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are usually party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. The Group is also party to other government procedures and investigations, such as those carried out by the antitrust authorities in certain countries which, among other things, have in the past and could in the future result into sanctions, as well as lead to claims by customers and others. In addition, the regulatory framework, in the jurisdictions in which the Group operates, is evolving towards a supervisory approach more focused on the opening of sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

- In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain judgments in favor of consumers handed down by national and supranational courts, have increased significantly in recent years and this trend could continue in the future. The legal and regulatory actions and proceedings faced by other financial institutions in relation to these and other matters, especially if such actions or proceedings result in favorable resolutions for the consumer, could also adversely affect the Group.

  In relation to consumer mortgage loan contracts linked to the index known as IRPH (average rate of mortgage loans over three years for free home purchase), considered "official interest rate "By the mortgage transparency regulations, calculated by the Bank of Spain and published in the Official State Gazette, on 14 December 2017 the Supreme Court issued judgment 669/2017 in which it confirmed that it was not possible to determine the lack of transparency of the interest rate of the loan by the mere fact of its reference to one or the other official index, nor therefore its abuse according to Directive 93/13. In a separate legal proceeding, albeit concerning the same clause, the matter was referred to the Court of Justice of the European Union, raising a preliminary question in which the application of the aforementioned IRPH index and the decision of the Supreme Court on the matter was questioned again. On March 3, 2020, the Court of Justice of the European Union resolved the referred question for a preliminary ruling.

  In that resolution, the Court of Justice of the European Union concludes that the main elements relating to the calculation of the saving banks IRPH index used by the bank to which the question referred (Bankia, SA) refers were contained in Circular 8/1990 of the Banco de España published in the Official State Gazette allowed consumers to understand the calculation of said index. Additionally, the Court of Justice of the European Union indicates that the national court must verify whether the entity to which the resolution refers complied with the information obligations established by national regulations. In the event that the entity had not complied with the applicable transparency regulations, the resolution does not declare the contract null and void but rather establishes that the national court could replace the IRPH index applied in the case prosecuted for a substitute index. The resolution sets forth that, in the absence of an agreement to the contrary of the parties to the contract, the referred substitute index could be the IRPH index for credit entities in Spain (as established in the fifteenth additional provision of Law 14/2013, of September 27, 2013). BBVA considers that the ruling of the Court of Justice of the European Union should not have significant effects on the Group's business, financial situation or results of operations.

  Additionally, there are also claims before the Spanish courts that question the application of certain interest rates and other mandatory rules to certain revolving credit card agreements. On March 4, 2020, the Supreme Court has issued judgment (number 149/2020) in which it confirms the nullity of a revolving credit agreement through the use of a card signed by another entity (Wizink Bank) as the remunerative interest is considered usurious. In said judgment, the Supreme Court recognizes that the reference to the "normal interest on money" to be used for this product must be the average interest applicable to credit card and revolving credit operations published in the statistics of the Bank of Spain and that it is somewhat higher than 20% per year. In the specific case, the Supreme Court has considered a rate of 26.82% as usurious compared to 20% of the average interest. The Supreme Court concludes that for an interest rate to be usurious, must be "manifestly disproportionate to the circumstances of the case", so that the sentence limits its effects to the case analyzed, and the marketing by financial entities of this product must be analyzed, case by case. BBVA considers that the ruling of the Supreme Court should not have significant effects on the Group's business, financial situation or results of operations.

- All of the above may result in a significant increase in operating and compliance costs or even a reduction of revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the procedural or management costs for the Group) could damage the Group's reputation, generate a knock-on effect or otherwise adversely affect the Group.

- It is difficult to predict the outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and those that may arise in the future, including actions and proceedings relating to former Group subsidiaries or in respect of which the Group may have indemnification obligations, but such outcome could be significantly adverse to the Group. In addition, a decision in any matter, whether against the Group or against another credit entity facing similar claims as those faced by the Group, could give rise to other claims against the Group. In addition, these actions and proceedings attract resources from the Group and may occupy a great deal of attention on part of the Group's management and employees.

- As of June 30, 2020, the Group had €738 million in provisions for the proceedings it is facing (included in the line "Provisions for litigation and pending tax cases" in the consolidated balance sheet) (see Note 23). However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

- Legal and regulatory actions and proceedings currently faced by the Group or to which it may become subject in the future or otherwise affected by, individually or in the aggregate, if resolved in whole or in part adversely to the Group´s interests, could have a material adverse effect on the Group's business, financial condition and results of operations.

- Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. ("Cenyt"). Such investigation includes the provision of services by Cenyt to BBVA. On July 29, 2019, BBVA was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could represent the crimes of bribery, revelation of secrets and corruption. As of the date of the approval of these consolidated Financial Statements, no formal accusation against BBVA has been made. Certain current and former officers and employees of the BBVA Group, as well as former directors, have also been named as investigated parties in connection with this investigation. BBVA has been and continues to be proactively collaborating with the Spanish judicial authorities, including sharing with the courts information from its on-going forensic investigation regarding its relationship with Cenyt. BBVA has also testified before the judge and prosecutors at the request of the Central Investigating Court No. 6 of the National High Court. On February 3, 2020, BBVA was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings. This criminal judicial proceeding is at a preliminary stage. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

6.2 Credit risk

The banks are a key part of the solution to the COVID-19 crisis. Specifically, BBVA, has activated support initiatives with a focus on the most affected customers, regardless of whether they are companies, SMEs, self-employed workers or private individuals. The following are just some of those initiatives:

- In Spain, credit facilities for SMEs and self-employed workers, and credit guaranteed by the Instituto de Crédito Oficial ("ICO"), deferment of pension payments and unemployment benefits, credit guaranteed by the ICO for rent payment and deferment of insurance and credit cards payments, and repayment deferments periods on loans to consumers and companies.

- In the United States, flexibility in the repayment of loans for small businesses and for consumer finance, and the removal of certain fees for individual customers;

- In Mexico, a repayment deferment on various credit products, a fixed payment plan to reduce monthly credit card charges, interruption of point of sale fees to support retailers with lower turnover and certain plans to support larger corporate customers;

- In Turkey, delay of loan repayments, interests and amortizations.

- In South America, some countries such as Argentina have provided a credit facility for micro-SMEs to help them purchase remote work equipment and credit facilities for payroll payments; Colombia has frozen repayments for up to six months on loans to individuals and companies, and is offering a special working capital facility for companies; and in Peru, various initiatives have been approved to support SMEs, and recent credit facilities and credit cards have been approved in order to support consumers.

The amount of deferment of payments (existing and completed) and the financing granted with public guarantees given at a Group level, as well as the number of customers of both measures, as of June 30, 2020 are as follows:

COVID-19 support programs (Millions of Euros)

	Deferment of payments				Financing with public guarantees			
	Existing	Completed	Total	Number of customers	Total	Number of customers	Total deferment of payments and guarantees	(%) credit investment
Group	29,668	6,590	36,259	3,138,894	13,791	196,186	50,050	11.9%

The amount of deferment of payments (existing and completed) and financing granted with public guarantees given at a Group level, broken down by segment, as of June 30, 2020 are as follows:

COVID-19 support programs (Millions of Euros)

	Deferment of payments			Financing with public guarantees
	Existing	Completed	Total	
Group	**29,668**	**6,590**	**36,259**	**13,791**
Customers	17,975	3,563	21,538	863
Mortgages	9,318	2,152	11,470	1
SMEs	6,397	792	7,189	7,723
Non-financial corporations	5,006	2,221	7,227	5,126
Other	290	14	304	79

The adoption of deferment of payment measures for bank customers in the different countries in which the Group operates (such as those included in Royal Decree Law 11/2020, as well as in the CECA-AEB agreement to which BBVA has adhered to in Spain) results in the temporary suspension, total or partial, of the contractual obligations with a deferral for a specific period of time. According to IFRS 9, when a deferment of payment does not generate interest collection rights, a temporary loss of value is triggered for the operation, which is calculated as the difference in current value of the original and modified cash flows, both discounted at the effective interest rate of the original operation. The difference is recognized at the original time in the income statement under the heading "Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification" and its counterpart is a correction of the asset value of the loans. From that point on, said correction accrues as net interest income at the original effective interest rate within the period of the deferment of payment. Thus, at the end of the moratorium period, the impact on net attributed profit is neutral.

The quantitative information on refinancing and restructuring operations is presented in the Appendix III "Quantitative information refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012".

6.2.1 Measurement of Expected Credit Loss (ECL)

IFRS 9 requires determining the expected credit loss of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, the time value of money and a forward looking perspective (including the economic forecast), all based on the information that is available at a certain time and that is reasonable and bearable regarding future economic conditions.

Therefore the recognition and measurement of expected credit loss (ECL) is highly complex and involves the use of significant analysis and estimation including formulation and incorporation of forward-looking economic conditions into ECL.

Risk Parameters Adjusted by Macroeconomic Scenarios

Expected credit loss (ECL) must include forward looking information, in accordance with IFRS 9, which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, also including forward-looking macroeconomic information. BBVA uses the classical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA´s methodological approach in order to incorporate the forward looking information aims to determine the relation between macroeconomic variables and risk parameters following three main steps:

- Step 1: Analysis and transformation of time series data.
- Step 2: For each dependent variable find conditional forecasting models that are economically consistent.
- Step 3: Select the best conditional forecasting model from the set of candidates defined in Step 2, based on their forecasting capacity.

How economic scenarios are reflected in calculation of ECL

The forward looking component is added to the calculation of the ECL through the introduction of macroeconomic scenarios as an input. Inputs highly depend on the particular combination of region and portfolio, so inputs are adapted to available data regarding each of them.

Based on economic theory and analysis, the main indicators most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD and EAD) are:

- The net income of families, corporates or public administrations.
- The outstanding payment amounts on the principal and interest on the financial instruments.
- The value of the collateral assets pledged to the loan.

BBVA Group approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by BBVA Research department.

Only a single specific indicator for each of the three categories can be used and only one of the following core macroeconomic indicators should be chosen as first option:

- The real GDP growth for the purpose of conditional forecasting can be seen as the only "factor" required for capturing the influence of all potentially relevant macro-financial scenarios on internal PDs and LGD.
- The most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate) or exchange rates expressed in real terms.
- A comprehensive and representative index of the price of real estate properties expressed in real terms in the case of mortgage loans and a representative and real term index of the price of the relevant commodity for corporate loan portfolios concentrated in exporters or producers of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach

IFRS 9 requires calculating an unbiased probability weighted measurement of expected credit losses ("ECL") by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the Group, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produce alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

Alternative macroeconomic scenarios

For each of the macro-financial variables, BBVA Research produces three scenarios.

- BBVA Research tracks, analyzes and forecasts the economic environment to provide a consistent forward looking assessment about the most likely scenario and risks that impact BBVA's footprint. To build economic scenarios, BBVA Research combines official data, econometric techniques and expert judgment.
- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.

- The non-linearity overlay is defined as the ratio between the probability-weighted ECL under the alternative scenarios and the baseline scenario, where the scenario's probability depends on the distance of the alternative scenarios from the base one.
- BBVA Group establishes equally weighted scenarios, being the probability 34% for the baseline scenario, 33% for the worst alternative scenario and 33% for the best alternative scenario.

BBVA Group considers three prospective macroeconomic scenarios that it updates periodically (currently quarterly). BBVA Research forecasts a maximum of five years for macroeconomic variables.

The approach in BBVA consists of using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, Budgeting…) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear. However, the overlay is not expected to reduce the ECL.

Macroeconomic scenarios as a result of the COVID-19 pandemic

The COVID-19 pandemic has generated a macroeconomic uncertainty situation with a direct impact on credit risk of the entities, particularly, on the expected credit losses under IFRS9. Even if the situation is unclear and of an unforeseeable time length, the expectation is that this situation will provoke a severe recession followed by an economic recovery, which will not achieve the pre-crisis GDP levels in the short-term, supported by the measures issued by governments and monetary authorities.

This situation has allowed the accounting authorities and the banking supervisors to adopt measures in order to mitigate the impacts that this crisis could imply on the calculation of expected credit losses under IFRS9 as well as on solvency, urging:

- the entities to mitigate the potential procyclicality of the accounting regulation,
- the governments to adopt measures to avoid the effects of impairment,
- the entities to develop managerial measures as the design of specific products adapted to the situation which could occur during this crisis.

Almost all accounting and prudential authorities have coordinately issued recommendations or measures within the COVID-19 crisis framework regarding the estimation of the expected losses under IFRS9.

The common denominator of all of these recommendations is that, given the difficulty to elaborate reliable macroeconomic forecasts, the transitory term of the economic shock and the need to incorporate the effect of the mitigating measures issued by the governments, a review the automatic application of the models in order to balance them and increase the weight of the long-term macroeconomic forecasts in the calculation of the expected losses is needed. As a result, the expected results over the lifetime of the transactions will have more weight than the short-term macroeconomic impact.

In this respect, the BBVA Group has taken into account those recommendations in the calculation of the expected credit losses under IFRS 9, considering that the economic situation caused by the COVID-19 pandemic is transitory and will be followed by a recovery, even if there is uncertainty over the level and the time period of such uncertainty. As a consequence, different scenarios have been taken into consideration in the calculation of expected losses, registering the model management believes suits best the current economic situation and the combined recommendations issued by the authorities. In addition to the outcome of the calculation of the scenarios, individual analysis of exposures which could be most affected by the circumstances caused by the COVID-19, have been taken into account.

The estimate for the next five years of the Gross Domestic Product (GDP), of the variation in the unemployment rate and of the House Price Index (HPI), for the most relevant countries where it represents a significant factor, is determined by BBVA Research and it has been used at the time of the calculation of the expected credit loss as of June 30, 2020:

Estimate of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			The United States		
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**
2020	(11.54%)	20.49%	(4.08%)	(9.97%)	4.59%	2.02%	(4.40%)	7.82%	(0.33%)
2021	7.53%	17.33%	(5.24%)	4.08%	4.45%	(1.53%)	3.58%	5.02%	(0.39%)
2022	2.94%	15.68%	6.28%	4.18%	4.03%	0.09%	2.36%	4.24%	1.86%
2023	2.09%	14.42%	5.01%	1.49%	4.06%	(0.02%)	2.08%	4.09%	2.59%
2024	2.07%	13.25%	3.65%	1.53%	4.05%	0.67%	2.09%	4.10%	2.14%
2025	2.00%	12.11%	3.11%	1.46%	4.02%	0.95%	2.11%	4.10%	1.55%

	Peru		Argentina		Colombia		Turkey	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(14.97%)	30.07%	(5.94%)	14.23%	(3.07%)	16.95%	0.15%	14.03%
2021	8.86%	13.10%	1.54%	11.53%	3.98%	14.13%	5.04%	13.43%
2022	3.53%	11.48%	2.02%	10.23%	2.64%	11.81%	4.53%	10.78%
2023	3.68%	11.39%	1.96%	9.70%	3.32%	11.63%	4.52%	10.38%
2024	3.63%	11.30%	1.97%	8.75%	3.47%	11.42%	4.51%	10.23%
2025	3.21%	11.20%	1.99%	7.78%	3.70%	11.22%	4.50%	10.03%

6.2.2 Credit risk exposure

In accordance with IFRS 7 "Financial Instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the balance sheets as of June 30, 2020 and December 31, 2019 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by the nature of the financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)

	Notes	June 2020	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**70,093**			
Debt securities	9	26,640			
Equity instruments	9	5,862			
Loans and advances	9	37,591			
Non-trading financial assets mandatorily at fair value through profit or loss		**4,998**			
Loans and advances	10	690			
Debt securities	10	250			
Equity instruments	10	4,058			
Financial assets designated at fair value through profit or loss	**11**	**1,098**			
Derivatives (trading and hedging)		**51,649**			
Financial assets at fair value through other comprehensive income		**70,207**			
Debt securities		68,385	68,079	5	301
Equity instruments	12	1,789			
Loans and advances to credit institutions	12	33	33	-	-
Financial assets at amortized cost		**463,887**	**413,517**	**34,686**	**15,684**
Loans and advances to central banks		4,792	4,792	-	-
Loans and advances to credit institutions		14,859	14,822	32	6
Loans and advances to customers		400,764	350,558	34,568	15,637
Debt securities		43,473	43,346	86	41
Total financial assets risk		**661,932**	**-**	**-**	**-**
Total loan commitments and financial guarantees		**184,046**	**171,130**	**11,987**	**929**
Loan commitments given	30	134,494	126,310	7,957	227
Financial guarantees given	30	10,989	9,709	1,020	261
Other commitments given	30	38,563	35,111	3,010	441
Total maximum credit exposure		**845,978**			

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**69,503**			
Debt securities	9	26,309			
Equity instruments	9	8,892			
Loans and advances	9	34,303			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,557**			
Loans and advances	10	1,120			
Debt securities	10	110			
Equity instruments	10	4,327			
Financial assets designated at fair value through profit or loss	**11**	**1,214**			
Derivatives (trading and hedging)		**39,462**			
Financial assets at fair value through other comprehensive income		**61,293**			
Debt securities		58,841	58,590	250	-
Equity instruments	12	2,420			
Loans and advances to credit institutions	12	33	33	-	-
Financial assets at amortized cost		**451,640**	**402,024**	**33,624**	**15,993**
Loans and advances to central banks		4,285	4,285	-	-
Loans and advances to credit institutions		13,664	13,500	158	6
Loans and advances to customers		394,763	345,449	33,360	15,954
Debt securities		38,930	38,790	106	33
Total financial assets risk		**628,670**			
Total loan commitments and financial guarantees		**181,116**	**169,663**	**10,452**	**1,001**
Loan commitments given	30	130,923	123,707	6,945	270
Financial guarantees given	30	10,984	9,804	955	224
Other commitments given	30	39,209	36,151	2,552	506
Total maximum credit exposure		**809,786**			

The breakdown by geographical location and Stage of the maximum credit risk exposure, the accumulated allowances recorded and the carrying amount of the loans and advances to customers at amortized cost as of June 30, 2020 and December 31, 2019 is shown below:

June 2020 (Millions of Euros)

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain (*)	206,649	184,249	14,077	8,323	(5,734)	(824)	(785)	(4,125)	200,915	183,425	13,292	4,198
The United States	61,572	52,860	7,939	773	(1,028)	(317)	(471)	(240)	60,544	52,542	7,468	533
Mexico	51,414	45,386	4,833	1,194	(1,972)	(761)	(459)	(752)	49,442	44,626	4,374	442
Turkey (**)	44,061	36,113	4,417	3,532	(2,865)	(215)	(600)	(2,050)	41,196	35,898	3,817	1,482
South America (***)	36,202	31,099	3,298	1,804	(1,944)	(390)	(422)	(1,131)	34,258	30,709	2,876	672
Others	866	851	5	10	(9)	(1)	-	(7)	857	850	4	3
Total (****)	**400,764**	**350,558**	**34,568**	**15,637**	**(13,552)**	**(2,508)**	**(2,736)**	**(8,307)**	**387,212**	**348,050**	**31,832**	**7,330**

(*) Spain includes all the countries where BBVA, S.A. operates.

(**) Turkey includes all the countries in which Garanti BBVA operates.

(***) In South America, BBVA Group operates in Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation (PPA) and were originated mainly in the acquisition of Catalunya Banc S.A. (as of June 30, 2020, the remaining balance was €399 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the instrument or applied as allowances in the value of the financial instrument when the losses materialize.

December 2019 (Millions of Euros)

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain (*)	197,058	173,843	14,599	8,616	(5,311)	(712)	(661)	(3,939)	191,747	173,131	13,939	4,677
The United States	57,387	49,744	7,011	632	(688)	(165)	(342)	(182)	56,699	49,580	6,670	450
Mexico	60,099	54,748	3,873	1,478	(2,013)	(697)	(404)	(912)	58,087	54,052	3,469	566
Turkey (**)	43,113	34,536	5,127	3,451	(2,613)	(189)	(450)	(1,974)	40,500	34,347	4,677	1,477
South America (***)	36,265	31,754	2,742	1,769	(1,769)	(366)	(323)	(1,079)	34,497	31,388	2,419	690
Others	839	824	7	9	(8)	(1)	(1)	(6)	832	823	6	2
Total (****)	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**

(*) Spain includes all the countries where BBVA, S.A. operates.

(**) Turkey includes all the countries in which Garanti BBVA operates.

(***) In South America, BBVA Group operates in Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation (PPA) and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2019, the remaining balance was €433 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the instrument or applied as allowances in the value of the financial instrument when the losses materialize.

The breakdown by counterparty and product of loans and advances, net of loss allowances, as well as the gross carrying amount by type of product, classified in different headings of the assets, as of June 30, 2020 and December 31, 2019 is shown below:

June 2020 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
By product								
On demand and short notice	-	37	-	164	2,126	516	2,844	3,048
Credit card debt	-	9	-	1	1,555	11,717	13,283	14,486
Commercial debtors		796	-	470	12,805	71	14,142	14,444
Finance leases	-	195	-	5	7,561	351	8,113	8,474
Reverse repurchase loans	430	-	2,269	887	60	-	3,647	3,656
Other term loans	4,311	25,930	3,793	8,518	153,588	154,750	350,890	362,342
Advances that are not loans	32	377	8,812	3,489	1,437	486	14,632	14,688
LOANS AND ADVANCES	**4,773**	**27,343**	**14,875**	**13,535**	**179,132**	**167,892**	**407,549**	**421,137**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*953*	*-*	*300*	*30,850*	*106,609*	*138,712*	*142,457*
Of which: other collateralized loans	*430*	*4,660*	*1,763*	*1,629*	*16,238*	*4,675*	*29,396*	*29,986*
By purpose of the loan								
Of which: credit for consumption						*43,048*	*43,048*	*46,148*
Of which: lending for house purchase						*108,159*	*108,159*	*110,005*
By subordination								
Of which: project finance loans					*12,047*		*12,047*	*12,328*

December 2019 (Millions of Euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
By product								
On demand and short notice	-	9	-	118	2,328	595	3,050	3,251
Credit card debt	-	10	1	3	1,940	14,401	16,355	17,608
Commercial debtors		971	-	230	15,976	99	17,276	17,617
Finance leases	-	227	-	6	8,091	387	8,711	9,095
Reverse repurchase loans	-	-	1,817	-	26	-	1,843	1,848
Other term loans	4,240	26,734	4,121	7,795	137,934	160,223	341,047	351,230
Advances that are not loans	35	865	7,743	3,056	951	506	13,156	13,214
LOANS AND ADVANCES	**4,275**	**28,816**	**13,682**	**11,208**	**167,246**	**176,211**	**401,438**	**413,863**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,067*	*15*	*261*	*23,575*	*111,085*	*136,003*	*139,317*
Of which: other collateralized loans	-	*10,447*	*93*	*2,106*	*29,009*	*6,893*	*48,548*	*49,266*
By purpose of the loan								
Of which: credit for consumption						*46,356*	*46,356*	*49,474*
Of which: lending for house purchase						*110,178*	*110,178*	*111,636*
By subordination								
Of which: project finance loans					*12,259*		*12,259*	*12,415*

The value of guarantees received as of June 30, 2020 and December 31, 2019, is as follows:

Guarantees received (Millions of Euros)	June 2020	December 2019
Value of collateral	**157,585**	**152,454**
Of which: guarantees normal risks under special monitoring	*14,983*	*14,623*
Of which: guarantees non-performing risks	*4,204*	*4,590*
Value of other guarantees	**55,840**	**35,464**
Of which: guarantees normal risks under special monitoring	*4,239*	*3,306*
Of which: guarantees non-performing risks	*559*	*542*
Total value of guarantees received	**213,425**	**187,918**

6.2.3 Impaired secured loans

The breakdown of loans and advances, within the heading "Financial assets at amortized cost", non-performing and accumulated impairment, as well as the gross carrying amount, by counterparties as of June 30, 2020 and December 31, 2019, is as follows:

June 2020 (Millions of Euros)	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	4,792	-	(19)	-
General governments	27,342	77	(83)	0.3%
Credit institutions	14,859	6	(17)	-
Other financial corporations	13,585	17	(50)	0.1%
Non-financial corporations	185,821	8,190	(7,224)	4.4%
Households	174,015	7,352	(6,195)	4.2%
LOANS AND ADVANCES	**420,414**	**15,643**	**(13,588)**	**3.7%**

December 2019 (Millions of Euros)

	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central Banks	4,285	-	(9)	-
General governments	28,281	88	(60)	0.3%
Credit institutions	13,664	6	(15)	-
Other financial corporations	11,239	17	(31)	0.2%
Non-financial corporations	173,254	8,467	(6,465)	4.9%
Households	181,989	7,381	(5,847)	4.1%
LOANS AND ADVANCES	**412,711**	**15,959**	**(12,427)**	**3.9%**

The changes during the six months ended June 30, 2020 and the year ended December 31, 2019 of impaired financial assets (financial assets and guarantees given) are as follows:

Changes in impaired financial assets and guarantees given (Millions of Euros)

	June 2020	December 2019
Balance at the beginning	**16,770**	**17,134**
Additions	4,581	9,857
Decreases (*)	(2,517)	(5,874)
Net additions	**2,064**	**3,983**
Amounts written-off	(1,778)	(3,803)
Exchange differences and other	(322)	(544)
Balance at the end	**16,734**	**16,770**

(*) Reflects the total amount of impaired loans derecognized from the consolidated balance sheet throughout the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries.

6.2.4 Loss allowances

Below are the changes in the six months ended June 30, 2020 and the year ended December 31, 2019 in the loss allowances recognized on the accompanying consolidated balance sheets to cover the estimated loss allowances in loans and advances of financial assets at amortized cost:

Changes in loss allowances of loans and advances at amortized cost (Millions of Euros)

	June 2020	December 2019
Balance at the beginning of the period	**(12,427)**	**(12,217)**
Increase in loss allowances charged to income	(6,723)	(10,236)
Stage 1	(1,603)	(1,650)
Stage 2	(1,771)	(1,923)
Stage 3	(3,350)	(6,664)
Decrease in loss allowances charged to income	3,070	5,990
Stage 1	960	1,312
Stage 2	812	1,298
Stage 3	1,298	3,380
Transfer to written-off loans, exchange differences and other	2,493	4,036
Closing balance	**(13,588)**	**(12,427)**

6.3 Liquidity and funding risk

Since the beginning of March, the global crisis caused by COVID-19 has had a significant impact on financial markets. The effects of this crisis on the Group's consolidated balance sheets have fundamentally been felt initially through increased drawdowns of credit facilities by wholesale customers in the face of worsening funding conditions in the markets, with no significant effect in the retail world. In view of this situation, there was a joint response by various central banks, through specific measures and programs to facilitate the funding of the real economy and the provision of liquidity in the financial markets. During the second quarter, significant net repayments were made by certain wholesale customers who had drawn down credit facilities during the first quarter of the year.

BBVA Group´s liquidity position in every geographical area allows its regulatory ratios to be above the minimum required:

- The BBVA Group's liquidity coverage ratio (LCR) remained significantly above 100% and stood at 159% as of June 30, 2020. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 191% (32 percentage points above 159%). In addition, it exceeded 100% in all subsidiaries.
- The Net Stable Funding Ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. At the BBVA Group, the NSFR, calculated according to the Basel requirements, remained above 100% throughout 2019 and stood at 124% as of June 30, 2020.

The wholesale funding markets in which the Group operates were affected by the events of COVID-19 and secondary market prices suffered a material correction as a result of the increased volatility. This led to a significant increase in the issue premiums and levels of access to the primary market. While certain degrees of volatility are still notable, this situation has been stabilizing and prices in the secondary market have been correcting themselves.

The main transactions carried out by the companies that form part of the BBVA Group in the first half of 2020 were:

- During the first quarter of 2020, BBVA, S.A. carried out two issuances of senior non-preferred debt totaling €1,400 million and a Tier 2 issuance totaling €1,000 million (see the "Solvency" chapter of the interim consolidated management report for more information). In the second quarter of 2020, it issued preferred senior debt totaling €1,000 million as a COVID-19 social bond, the first of its kind from a private financial institution in Europe (see the "Solvency" and "Responsible banking" chapters of the interim consolidated management report for more information). In July 2020 two issuances were made: the first, is the first green convertible bond (CoCo) ever issued by a financial institution worldwide for the amount of €1,000 million, with a coupon of 6% and an option for early amortization in five and a half years (see Note 50); and the second, a subordinated debt issuance of Tier 2 in Pounds sterling, for the amount of 300 million, to a term of eleven years and option of amortization to the sixth, with a coupon of 3.104%.
- In Mexico, a local senior issuance was carried out in February 2020 for MXN 15,000 million (€578 million in euros) in three tranches. Two tranches in Mexican pesos over 3 and 5 years (one for MXN 7,123 million at the Interbank Equilibrium Interest Rate (TIIE) 28 + 5 basis points and another for MXN 6,000 million at TIIE 28 + 15 basis points, respectively), and another tranche in US dollars over 3 years (USD 100 million at 3-month Libor + 49 basis points).
- In Turkey, Garanti BBVA carried out a Tier 2 issuance for TRY 750 million in the first quarter of 2020. In the second quarter of 2020, Garanti BBVA renewed a syndicated loan by issuing the first green syndicated loan indexed to sustainability criteria, and in whose renovation the EBRD -European Bank for Reconstruction and Development- and the IFC -International Finance Corporation- have participated.

7. Fair value of financial instruments

The criteria and valuation methods used to calculate the fair value of financial assets as of June 30, 2020 do not differ significantly from those included in Note 8 from the consolidated financial statements for the year ended December 31, 2019.

The techniques and unobservable inputs used for the valuation of the financial instruments classified in the fair value hierarchy as Level 3, do not significantly differ from those detailed in Note 8 of the consolidated financial statements for the year 2019. Nevertheless, the level of significance of the unobservable inputs used to determine the hierarchy of the fair value of loans and advances to customers at amortized cost has been revised, resulting in greater exposure classified as level 3.

The effect on the consolidated income statements and on the consolidated equity, resulting from changing the main assumptions used in the valuation of Level 3 financial instruments for other reasonably possible assumptions, does not differ significantly from that detailed in Note 8 of the consolidated financial statements for the year 2019.

Below is a comparison of the carrying amount of the Group's financial instruments in the accompanying consolidated balance sheets and their respective fair values as of June 30, 2020 and December 31, 2019:

Fair value and carrying amount (Millions of Euros)

		June 2020		December 2019	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	8	65,877	65,877	44,303	44,303
Financial assets held for trading	9	119,332	119,332	102,688	102,688
Non-trading financial assets mandatorily at fair value through profit or loss	10	4,998	4,998	5,557	5,557
Financial assets designated at fair value through profit or loss	11	1,098	1,098	1,214	1,214
Financial assets at fair value through other comprehensive income	12	70,045	70,045	61,183	61,183
Financial assets at amortized cost	13	450,222	452,719	439,162	442,788
Derivatives – Hedge accounting	14	2,531	2,531	1,729	1,729
LIABILITIES					
Financial liabilities held for trading	9	108,624	108,624	89,633	89,633
Financial liabilities designated at fair value through profit or loss	11	9,203	9,203	10,010	10,010
Financial liabilities at amortized cost	21	559,713	557,678	516,641	515,910
Derivatives – Hedge accounting	14	2,368	2,368	2,233	2,233

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

The following table shows the financial instruments in the accompanying consolidated balance sheets, broken down by the measurement technique used to determine their fair value as of June 30, 2020 and December 31, 2019:

Fair value of financial instruments by levels (Millions of Euros)

	June 2020			December 2019		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS						
Cash, cash balances at central banks and other demand deposits	**65,686**	**-**	**191**	**44,111**	**-**	**192**
Financial assets held for trading	**30,604**	**86,964**	**1,763**	**31,135**	**70,045**	**1,508**
Loans and advances	2,483	33,848	1,261	697	32,321	1,285
Debt securities	15,246	11,304	89	18,076	8,178	55
Equity instruments	5,751	28	82	8,832	-	59
Derivatives	7,124	41,785	331	3,530	29,546	109
Non-trading financial assets mandatorily at fair value through profit or loss	**1,629**	**2,224**	**1,145**	**4,305**	**92**	**1,160**
Loans and advances	152	-	538	82	-	1,038
Debt securities	-	205	45	-	91	19
Equity instruments	1,477	2,019	562	4,223	1	103
Financial assets designated at fair value through profit or loss	**925**	**172**	**-**	**1,214**	**-**	**-**
Loans and advances	-	-	-	-	-	-
Debt securities	925	172	-	1,214	-	-
Equity instruments	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**57,066**	**12,129**	**849**	**50,896**	**9,203**	**1,084**
Loans and advances	33	-	-	33	-	-
Debt securities	55,780	11,990	452	49,070	9,057	604
Equity instruments	1,254	139	397	1,794	146	480
Financial assets at amortized cost	**32,880**	**26,566**	**393,273**	**29,391**	**217,279**	**196,119**
Derivatives – Hedge accounting	**153**	**2,370**	**8**	**44**	**1,685**	**-**
LIABILITIES						
Financial liabilities held for trading	**26,953**	**80,095**	**1,576**	**26,266**	**62,541**	**827**
Deposits	7,727	37,828	1,082	9,595	32,121	649
Trading derivatives	8,612	41,048	494	4,425	30,419	175
Short positions	10,614	1,219	-	12,246	1	2
Financial liabilities designated at fair value through profit or loss	**-**	**8,120**	**1,083**	**-**	**9,984**	**27**
Customer deposits	-	914	-	-	944	-
Debt certificates	-	3,119	1,083	-	4,629	27
Other financial liabilities	-	4,087	-	-	4,410	-
Financial liabilities at amortized cost	**92,354**	**314,925**	**150,399**	**67,229**	**289,599**	**159,082**
Derivatives – Hedge accounting	**48**	**2,287**	**34**	**30**	**2,192**	**11**

8. Cash, cash balances at central banks and other demand deposits

The breakdown of the balance under the heading "Cash, cash balances at central banks and other demand deposits" in the accompanying consolidated balance sheets is as follows:

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	June 2020	December 2019
Cash on hand	5,669	7,060
Cash balances at central banks (*)	54,442	31,755
Other demand deposits	5,766	5,488
Total	**65,877**	**44,303**

(*) The variation corresponds mainly to the increase in cash held at the Bank of Spain.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

9. Financial assets and liabilities held for trading

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Financial assets and liabilities held for trading (Millions of Euros)

	Notes	June 2020	December 2019
ASSETS			
Derivatives (*)		49,239	33,185
Equity instruments	6.2.2	5,862	8,892
Debt securities	6.2.2	26,640	26,309
Issued by central banks		1,125	840
Issued by public administrations		23,642	23,918
Issued by financial institutions		838	679
Other debt securities		1,035	872
Loans and advances	6.2.2	37,591	34,303
Loans and advances to central banks		636	535
Reverse repurchase agreement		*636*	*535*
Loans and advances to credit institutions		24,912	21,286
Reverse repurchase agreement		*24,857*	*21,219*
Loans and advances to customers		12,044	12,482
Reverse repurchase agreement		*11,026*	*12,187*
Total assets		**119,332**	**102,688**
LIABILITIES			
Derivatives (*)		50,154	35,019
Short positions		11,832	12,249
Deposits		46,637	42,365
Deposits from central banks		5,685	7,635
Repurchase agreement		*5,685*	*7,635*
Deposits from credit institutions		28,617	24,969
Repurchase agreement		*28,214*	*24,578*
Customer deposits		12,335	9,761
Repurchase agreement		*12,271*	*9,689*
Total liabilities		**108,624**	**89,633**

(*) The variation corresponds mainly to foreign exchange derivatives in BBVA S.A.

10. Non-trading financial assets mandatorily at fair value through profit or loss

The breakdown of the balance under this heading in the accompanying consolidated balance sheets is as follows:

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	June 2020	December 2019
Equity instruments	6.2.2	4,058	4,327
Debt securities	6.2.2	250	110
Loans and advances to customers	6.2.2	690	1,120
Total		**4,998**	**5,557**

11. Financial assets and liabilities designated at fair value through profit or loss

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	June 2020	December 2019
ASSETS			
Debt securities		1,098	1,214
Total assets	**6.2.2**	**1,098**	**1,214**
LIABILITIES			
Deposits		914	944
Debt certificates		4,202	4,656
Other financial liabilities: Unit-linked products		4,087	4,410
Total liabilities		**9,203**	**10,010**

12. Financial assets at fair value through other comprehensive income

12.1 Breakdown of the balance

The breakdown of the balance by type of financial instruments under these headings in the accompanying consolidated balance sheets is as follows:

Financial assets at fair value through other comprehensive income (Millions of Euros)

	Notes	June 2020	December 2019
Equity instruments	6.2.2	1,789	2,420
Debt securities (*)		68,223	58,731
Loans and advances to credit institutions	6.2.2	33	33
Total		**70,045**	**61,183**
Of which: loss allowances of debt securities		*(162)*	*(110)*

(*) The variation corresponds mainly to the increase in financial assets issued by governments in BBVA, S.A.

12.2 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying consolidated balance sheets as of June 30, 2020 and December 31, 2019, is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)

	June 2020		December 2019	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Listed equity instruments				
Spanish companies shares	2,182	1,141	2,181	1,674
Foreign companies shares	140	199	136	213
The United States	31	79	30	78
Mexico	1	29	1	34
Turkey	3	6	3	5
Other countries	106	85	102	96
Subtotal	**2,322**	**1,340**	**2,317**	**1,886**
Unlisted equity instruments				
Spanish companies shares	5	5	5	5
Foreign companies shares	376	444	450	528
The United States	318	351	387	419
Mexico	-	1	-	-
Turkey	6	9	5	9
Other countries	52	83	57	99
Subtotal	**381**	**449**	**454**	**533**
Total	**2,703**	**1,789**	**2,772**	**2,420**

12.3 Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying consolidated balance sheets as of June 30, 2020 and December 31, 2019, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)

	June 2020		December 2019	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Domestic debt securities				
Government and other government agency debt securities	28,151	28,913	20,740	21,550
Central banks	-	-	-	-
Credit institutions	1,050	1,110	959	1,024
Other issuers	899	936	907	947
Subtotal	**30,100**	**30,959**	**22,607**	**23,521**
Foreign debt securities				
Mexico	**7,224**	**7,375**	**7,790**	**7,786**
Government and other government agency debt securities	6,359	6,527	6,869	6,868
Central banks	-	-	-	-
Credit institutions	62	63	77	78
Other issuers	803	786	843	840
The United States	**10,267**	**10,421**	**11,376**	**11,393**
Government securities	6,572	6,698	8,570	8,599
Treasury and other government agencies	4,049	4,113	5,595	5,624
States and political subdivisions	2,523	2,585	2,975	2,975
Central banks	-	-	-	-
Credit institutions	157	158	122	124
Other issuers	3,538	3,565	2,684	2,670
Turkey	**3,801**	**3,840**	**3,752**	**3,713**
Government and other government agency debt securities	3,801	3,840	3,752	3,713
Central banks	-	-	-	-
Credit institutions	-	-	-	-
Other issuers	-	-	-	-
Other countries	**15,143**	**15,628**	**11,870**	**12,318**
Other foreign governments and other government agency debt securities	7,519	7,861	6,963	7,269
Central banks	1,481	1,484	1,005	1,010
Credit institutions	2,425	2,517	1,795	1,892
Other issuers	3,717	3,766	2,106	2,147
Subtotal	**36,436**	**37,264**	**34,788**	**35,210**
Total	**66,536**	**68,223**	**57,395**	**58,731**

The credit ratings of the issuers of debt securities as of June 30, 2020 are as follows:

Debt securities by rating

	June 2020	
	Fair value (Millions of Euros)	**%**
AAA	9,806	14.4%
AA+	834	1.2%
AA	300	0.4%
AA-	626	0.9%
A+	3,796	5.6%
A	2,180	3.2%
A-	31,076	45.6%
BBB+	7,442	10.9%
BBB	3,137	4.6%
BBB-	3,691	5.4%
BB+ or below	4,925	7.2%
Unclassified	412	0.6%
Total	**68,223**	**100.0%**

12.4 Gains/losses

Changes in gains/losses

The changes in the gains/losses (net of taxes) during the six months ended June 30, 2020 and in the year ended December 31, 2019 of debt securities recognized under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income" and equity instruments recognized under the equity heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

Other comprehensive income - Changes in gains / losses (Millions of Euros)

		Debt securities		Equity instruments	
	Notes	**June 2020**	**December 2019**	**June 2020**	**December 2019**
Balance at the beginning		**1,760**	**943**	**(403)**	**(155)**
Valuation gains and losses		137	1,267	(562)	(238)
Amounts transferred to income		(71)	(119)		
Amounts transferred to Reserves				-	-
Income tax		4	(331)	25	(10)
Balance at the end	**27**	**1,830**	**1,760**	**(940)**	**(403)**

During the six months ended June 30, 2020 and 2019, the debt securities impaired recognized in the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss net gains by modification– Financial assets at fair value through other comprehensive income" in the accompanying consolidated income statement amounted to €71 and 5 million, respectively (see Note 42) as a result of the decrease in the rating of debt securities in BBVA Argentina.

13. Financial assets at amortized cost

13.1 Breakdown of the balance

The breakdown of the balance under this heading in the accompanying consolidated balance sheets according to the nature of the financial instrument is as follows:

Financial assets at amortized cost (Millions of Euros)

	June 2020	December 2019
Debt securities	**43,396**	**38,877**
Loans and advances to central banks	**4,773**	**4,275**
Loans and advances to credit institutions	**14,842**	**13,649**
Loans and advances to customers	**387,212**	**382,360**
Government	27,259	28,222
Other financial corporations	13,535	11,207
Non-financial corporations	178,598	166,789
Other	167,820	176,142
Total	**450,222**	**439,162**
Of which: impaired assets of loans and advances to customers (*)	*15,637*	*15,954*
Of which: loss allowances of loans and advances (*)	*(13,588)*	*(12,427)*
Of which: loss allowances of debt securities	*(77)*	*(52)*

(*) See Note 6.2.

During the six months ended June 30, 2020 and the year ended December 31, 2019, there have been no significant reclassifications neither from "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

13.2 Loans and advances to customers

The breakdown of the balance under this heading in the accompanying consolidated balance sheets according to the nature of the financial instrument is as follows:

Loans and advances to customers (Millions of Euros)

	June 2020	December 2019
On demand and short notice	2,844	3,050
Credit card debt	13,283	16,354
Trade receivables	14,142	17,276
Finance leases	8,113	8,711
Reverse repurchase agreements	947	26
Other term loans	342,180	332,160
Advances that are not loans	5,704	4,784
Total	**387,212**	**382,360**

The heading "Financial assets at amortized cost – Loans and advances to customers" in the accompanying consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix II and pursuant to the Mortgage Market Act, are linked to long-term mortgage covered bonds.

14. Derivatives- Hedge accounting and fair value changes of the hedged items in portfolio hedges of interest rate risk

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)

	June 2020	December 2019
ASSETS		
Derivatives - Hedge accounting	2,531	1,729
Fair value changes of the hedged items in portfolio hedges of interest rate risk	60	28
LIABILITIES		
Derivatives – Hedge accounting	2,368	2,233
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-

15. Investments in joint ventures and associates

The breakdown of the balance of “Investments in joint ventures and associates” in the accompanying consolidated balance sheets is as follows:

Joint ventures and associates (Millions of Euros)

	June 2020	December 2019
Joint ventures	150	154
Associates	1,216	1,334
Total	**1,366**	**1,488**

16. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying consolidated balance sheets, according to the nature of the related items, is as follows:

Tangible assets. Breakdown by type (Millions of Euros)

	June 2020	December 2019
Property plant and equipment	**8,796**	**9,816**
For own use	**8,578**	**9,554**
Land and buildings	5,584	6,001
Work in progress	63	56
Furniture, fixtures and vehicles	5,954	6,351
Right to use assets	3,382	3,516
Accumulated depreciation	(5,957)	(5,969)
Impairment	(447)	(402)
Leased out under an operating lease	**217**	**263**
Assets leased out under an operating lease	280	337
Accumulated depreciation	(62)	(74)
Impairment	-	-
Investment property	**261**	**252**
Building rental	228	211
Other	3	4
Right to use assets	83	101
Accumulated depreciation	(16)	(24)
Impairment	(38)	(39)
Total	**9,057**	**10,068**

17. Intangible assets

17.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating unit (hereinafter "CGU") to which goodwill has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the period (Millions of Euros)

	The United States	Turkey	Mexico	Colombia	Chile	Other	Total
Balance as of December 31, 2018	**5,066**	**382**	**519**	**161**	**29**	**23**	**6,180**
Additions	-	-	-	-	-	-	-
Exchange difference	98	(36)	31	3	(2)	(1)	93
Impairment	(1,318)	-	-	-	-	-	(1,318)
Other	-	-	-	-	-	-	-
Balance as of December 31, 2019	**3,846**	**346**	**550**	**164**	**27**	**22**	**4,955**
Additions	-	-	-	-	-	-	-
Exchange difference	58	(45)	(100)	(21)	(2)	(1)	(111)
Impairment	(2,084)	-	-	-	-	-	(2,084)
Other	-	-	-	-	-	-	-
Balance as of June 30, 2020	**1,820**	**301**	**450**	**143**	**25**	**21**	**2,760**

Impairment test

As mentioned in Note 2.2.8 of the consolidated Financial Statements of the year 2019, the CGUs to which goodwill has been allocated, are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment.

The BBVA Group performs estimations on the recoverable amount of certain CGU´s by calculating the value in use through the discounted value of future cash flows method.

The main hypotheses used for the value in use calculation are the following:

- The forecast cash flows, including net interest margin, estimated by the Group's management, and based on the latest available financial statements budgets for the next 3 to 5 years, considering the macroeconomic variables of each CGU, regarding the existing balance structure as well as macroeconomic variables such as the evolution of interest rates and the CPI of the geography where the CGU is located, among others.
- The constant growth rate for extrapolating cash flows, starting in the third or fifth year, beyond the period covered by the budgets or forecasts.
- The discount rate on future cash flows, which coincides with the cost of capital assigned to each CGU, and which consists of a risk-free rate plus a premium that reflects the inherent risk of each of the businesses evaluated.

The focus used by the Group's management to determine the values of the assumptions is based both on its projections and past experience. These values are verified and use external sources of information, wherever possible. Additionally, the valuations of the goodwill of the CGUs of the United States and Turkey have been reviewed by independent experts (not the Group's external auditors) as of March 31, 2020 and December 31, 2019. However, certain changes to the valuation assumptions used could cause differences in the impairment test result.

As of December 31, 2019, the Group estimated impairment losses in the United States CGU of €1,318 million, which was mainly as a result of the negative evolution of interest rates, especially in the second half of the year, which accompanied by the slowdown of the economy caused the expected evolution of results below the previous estimation. This recognition did not affect the tangible book value nor the liquidity nor the capital of the BBVA Group.

As of March 31, 2020, the Group identified an indicator of impairment of goodwill in the CGU and as a result of the goodwill impairment test, the Group estimated impairment in the United States CGU, of €2,084 million (see Note 44), which was mainly due to the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic (see Note 1.5) and the expected evolution of interest rates. This recognition did not affect the tangible book value nor the liquidity nor the capital of the BBVA Group.

As of June 30, 2020, as a result of the CGU´s assessment, the Group concluded there is no evidence of further indicators of impairment losses that requires recognizing significant additional impairment losses in any of the CGUs where goodwill that the Group has recognized in the consolidated balance sheet is allocated.

Goodwill - The United States CGU

The Group's most significant goodwill corresponds to the CGU in the United States, the main significant assumptions used in the impairment test as of March 31, 2020 of this mentioned CGU, were:

Impairment test assumptions CGU goodwill in the United States

	March 2020	December 2019
Discount rate	10.3%	10.0%
Growth rate	3.0%	3.5%

In accordance with paragraph 33.c of IAS 36, as of March 31, 2020, the Group used a growth rate of 3.0% based on the real GDP growth rate of the United States, the expected inflation and the potential growth of the banking sector in the United States. This 3.0% rate is lower than the historical average of the past 30 years of the nominal GDP rate of the United States and lower than the real GDP growth forecasted by the IMF.

The assumptions with a greater relative weight and whose volatility could have a greater impact in determining the present value of the cash flows starting on the fifth year are the discount rate and the growth rate. Below is shown the increased (or decreased) amount of the CGU recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions as of March 31, 2020:

Sensitivity analysis for main assumptions - The United States (Millions of Euros)

	Increase of 50 basis points (*)	Decrease of 50 basis points (*)
Discount rate	(755)	869
Growth rate	270	(235)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Goodwill - Turkey CGU

The main significant assumptions used in the impairment test as of March 31, 2020 of the CGU of Turkey, were:

Impairment test assumptions CGU goodwill in Turkey

	March 2020	December 2019
Discount rate	18.1%	17.4%
Growth rate	7.0%	7.0%

Given the potential growth of the sector in Turkey, in accordance with paragraph 33.c of IAS 36, as of March 31, 2020 and December 31, 2019, the Group used a growth rate of 7.0% based on the real GDP growth rate of Turkey and expected inflation.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the growth rate. Below is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions as of March 31, 2020:

Sensitivity analysis for main assumptions - Turkey (Millions of Euros)

	Impact of an increase of 50 basis points	**Impact of a decrease of 50 basis points**
Discount rate	(166)	183
Growth rate	23	(21)

Goodwill - Other CGUs

The sensitivity analysis on the main hypotheses carried out for the rest of the CGUs of the Group indicate that their value in use would continue to exceed their book value.

17.2 Other intangible assets

The breakdown of the balance and changes of this heading in the accompanying consolidated balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)

	June 2020	**December 2019**
Computer software acquisition expense	1,532	1,598
Other intangible assets with an infinite useful life	10	11
Other intangible assets with a definite useful life	320	401
Total	**1,863**	**2,010**

18. Tax assets and liabilities

18.1 Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group’s non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

18.2 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes current and deferred tax assets. The balance under the “Tax liabilities” heading includes the Group’s various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

Tax assets and liabilities (Millions of Euros)

	June 2020	December 2019
Tax assets		
Current tax assets	1,182	1,765
Deferred tax assets	15,536	15,318
Total	**16,718**	**17,083**
Tax liabilities		
Current tax liabilities	560	880
Deferred tax liabilities	1,968	1,928
Total	**2,529**	**2,808**

The Group has carried out an analysis of its recovery of deferred tax assets and liabilities taking into account the impact of COVID-19 pandemic (see Note 1.5) in the Group's consolidated Financial Statements as of June 30, 2020, and in the projections of taxable income in the coming years, without any relevant effects on the recognition of deferred tax assets and liabilities, as of June 30, 2020.

19. Other assets and liabilities

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Other assets and liabilities (Millions of Euros)

	June 2020	December 2019
ASSETS		
Inventories	615	581
Transactions in progress	165	138
Accruals	929	804
Other items	2,651	2,277
Total assets	**4,360**	**3,800**
LIABILITIES		
Transactions in progress	98	39
Accruals	2,040	2,456
Other items	1,969	1,247
Total liabilities	**4,107**	**3,742**

20. Non-current assets and disposal groups classified as held for sale

The composition of the balance under the heading "Non-current assets and disposal groups classified as held for sale" in the accompanying consolidated balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale. Breakdown by items (Millions of Euros)

	June 2020	December 2019
Foreclosures and recoveries	1,487	1,647
Assets from tangible assets	300	310
Business sale - Assets (*)	1,728	1,716
Other assets classified as held for sale (**)	279	-
Accrued amortization (***)	(54)	(51)
Impairment losses	(534)	(543)
Total	**3,205**	**3,079**

(*) It includes mainly BBVA's stake in BBVA Paraguay (see Note 3).

(**) It includes mainly the agreement for the alliance with Allianz, Compañía de Seguros y Reaseguros, S.A (see Note 3).

(***) Accumulated amortization until related asset was reclassified as "Non-current assets and disposal groups held for sale".

21. Financial liabilities at amortized cost

21.1 Breakdown of the balance

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Financial liabilities measured at amortized cost (Millions of Euros)

	June 2020	December 2019
Deposits	481,207	438,919
Deposits from central banks	46,667	25,950
Demand deposits	285	23
Time deposits and other (*)	41,040	25,101
Repurchase agreements	5,341	826
Deposits from credit institutions	32,356	28,751
Demand deposits	9,553	7,161
Time deposits and other	19,062	18,896
Repurchase agreements	3,742	2,693
Customer deposits	402,184	384,219
Demand deposits (**)	308,212	280,391
Time deposits and other	93,671	103,293
Repurchase agreements	301	535
Debt certificates	64,421	63,963
Other financial liabilities	14,085	13,758
Total	**559,713**	**516,641**

(*) The variation corresponds mainly to the increase in time deposits of BBVA, S.A. in the European Central Bank through the financing program TLTRO III.

(**) The variation corresponds mainly to the increase in customer demand deposits in BBVA, S.A.

21.2 Deposits from credit institutions

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying consolidated balance sheets is as follows:

Deposits from credit institutions. June 2020 (Millions of Euros)

	Demand deposits	Time deposits & other(*)	Repurchase agreements	Total
Spain	2,017	1,466	-	3,483
The United States	2,990	6,238	-	9,228
Mexico	354	557	84	995
Turkey	192	493	28	713
South America	421	1,779	6	2,205
Rest of Europe	2,965	5,778	3,624	12,367
Rest of the world	613	2,751	-	3,364
Total	**9,553**	**19,062**	**3,742**	**32,356**

(*) Subordinated deposits are included amounting to €196 million.

Deposits from credit institutions. December 2019 (Millions of Euros)

	Demand deposits	Time deposits & other (*)	Repurchase agreements	Total
Spain	2,104	1,113	1	3,218
The United States	2,082	4,295	-	6,377
Mexico	432	1,033	168	1,634
Turkey	302	617	4	924
South America	394	2,285	161	2,840
Rest of Europe	1,652	5,180	2,358	9,190
Rest of the world	194	4,374	-	4,568
Total	**7,161**	**18,896**	**2,693**	**28,751**

(*) Subordinated deposits are included amounting to €195 million.

21.3 Customer deposits

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying consolidated balance sheets is as follows:

Customer deposits. June 2020 (Millions of Euros)

	Demand deposits	Time deposits & other	Repurchase agreements	Total
Spain	158,036	22,226	3	180,265
The United States	56,222	19,498	-	75,720
Mexico	39,161	11,584	95	50,840
Turkey	17,696	17,522	203	35,421
South America	26,510	13,012	-	39,522
Rest of Europe	9,644	9,418	-	19,062
Rest of the world	943	411	-	1,354
Total	**308,212**	**93,671**	**301**	**402,184**

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Customer deposits. December 2019 (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
Spain	146,651	24,958	2	171,611
The United States	46,372	19,810	-	66,181
Mexico	43,326	12,714	523	56,564
Turkey	13,775	22,257	10	36,042
South America	22,748	13,913	-	36,661
Rest of Europe	6,610	8,749	-	15,360
Rest of the world	909	892	-	1,801
Total	**280,391**	**103,293**	**535**	**384,219**

(*) Subordinated deposits are included amounting to €189 million.

21.4 Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

Debt certificates (Millions of Euros)

	June 2020	December 2019
In Euros	**42,329**	**40,185**
Promissory bills and notes	718	737
Non-convertible bonds and debentures	14,472	12,248
Covered bonds (*)	15,232	15,542
Hybrid financial instruments	405	518
Securitization bonds	2,900	1,354
Wholesale funding	1,132	1,817
Subordinated liabilities	7,470	7,968
Convertible perpetual certificates	3,500	5,000
Convertible subordinated debt	-	-
Non-convertible preferred stock	79	83
Other non-convertible subordinated liabilities	3,891	2,885
In foreign currencies	**22,092**	**23,778**
Promissory bills and notes	1,059	1,210
Non-convertible bonds and debentures	10,364	10,587
Covered bonds (*)	279	362
Hybrid financial instruments	656	1,156
Securitization bonds	4	17
Wholesale funding	512	780
Subordinated liabilities	9,218	9,666
Convertible perpetual certificates	1,788	1,782
Convertible subordinated debt	-	-
Non- convertible preferred stock	53	76
Other non-convertible subordinated liabilities	7,377	7,808
Total	**64,421**	**63,963**

(*) Including mortgage-covered bonds (see Appendix II).

Most of the foreign currency issues are denominated in U.S. dollars.

21.5 Other financial liabilities

The breakdown of the balance under this heading in the accompanying consolidated balance sheets is as follows:

Other financial liabilities (Millions of Euros)	June 2020	December 2019
Lease liabilities	3,129	3,335
Creditors for other financial liabilities	2,887	2,623
Collection accounts	3,532	3,306
Creditors for other payment obligations	4,538	4,494
Total	**14,085**	**13,758**

22. Assets and liabilities under insurance and reinsurance contracts

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of June 30, 2020 and December 31, 2019, the balance under this heading amounted to €332 million and €341 million, respectively.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets.

The breakdown of the balance under the heading "Liabilities under reinsurance and insurance contracts" is as follows:

Liabilities under insurance and reinsurance contracts	June 2020	December 2019
Mathematical reserves (*)	8,310	9,247
Provision for unpaid claims reported	652	641
Provisions for unexpired risks and other provisions	500	718
Total	**9,462**	**10,606**

(*) The variation corresponds mainly to the decrease in Mexico.

23. Provisions

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, based on type of provisions, is as follows:

Provisions. Breakdown by concepts (Millions of Euros)	Notes	June 2020	December 2019
Provisions for pensions and similar obligations		4,427	4,631
Other long term employee benefits		53	61
Provisions for taxes and other legal contingencies	6.1	738	677
Provisions for contingent risks and commitments	30	774	711
Other provisions (*)		502	457
Total		**6,494**	**6,538**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

Ongoing legal proceedings and litigation

The financial sector faces an environment of increased regulatory pressure and litigation. In this environment, the various Group entities are often sued on lawsuits and are therefore involved in individual or collective legal proceedings and litigation arising from their activity and operations, including proceedings arising from their lending activity, from their labour relations and from other commercial, regulatory or tax issues, as well as in arbitration.

On the basis of the information available, the Group considers that, at June 30, 2020, the provisions made in relation to judicial proceedings and arbitration, where so required, are adequate and reasonably cover the liabilities that might arise, if any, from such proceedings. Furthermore, on the basis of the information available and with the exceptions indicated in Note 6.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, on a case-by-case basis, a significant adverse effect on the Group's business, financial situation or results of operations.

24. Pension and other post-employment commitments

The Group sponsors defined-contribution plans for the majority of its active employees, with the plans in Spain and Mexico being the most significant. Most of the defined benefit plans are for individuals already retired, and are closed to new employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members, both active service and in retirees.

The amounts relating to post-employment benefits charged to the profit and loss account and other comprehensive income for the six month periods ended June 30, 2020 and 2019 are as follows:

Condensed consolidated income statement impact (Millions of Euros)

	Notes	June 2020	June 2019
Interest income and expense		25	38
Personnel expense		76	79
Defined contribution plan expense	39.1	49	55
Defined benefit plan expense	39.1	27	24
Provisions, net	41	145	127
Total: expense (income)		**247**	**244**

25. Capital

As of June 30, 2020 and December 31, 2019, BBVA’s share capital amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank´s shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank’s capital.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. BBVA is not aware of any agreement that could give rise to changes in the control of the Bank.

26. Retained earnings and other reserves

The breakdown of the balance under this heading in the accompanying consolidated balance sheet is as follows:

Retained earnings and other reserves (Millions of Euros)

	June 2020	December 2019
Retained earnings	30,589	29,388
Other reserves	(160)	(119)
Total	**30,429**	**29,268**

27. Accumulated other comprehensive income

The breakdown of the balance under this heading in the accompanying consolidated balance sheet is as follows:

Accumulated other comprehensive income. Breakdown by concepts (Millions of Euros)

	Notes	June 2020	December 2019
Items that will not be reclassified to profit or loss		**(2,253)**	**(1,875)**
Actuarial gains (losses) on defined benefit pension plans		(1,381)	(1,498)
Non-current assets and disposal groups classified as held for sale		1	2
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	12.4	(940)	(403)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		67	24
Items that may be reclassified to profit or loss		**(10,570)**	**(8,351)**
Hedge of net investments in foreign operations (effective portion)		(312)	(896)
Foreign currency translation		(12,351)	(9,147)
Hedging derivatives. Cash flow hedges (effective portion)		308	(44)
Fair value changes of debt instruments measured at fair value through other comprehensive income	12.4	1,830	1,760
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		(27)	(18)
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		(19)	(5)
Total		**(12,822)**	**(10,226)**

The balances recognized under these headings are presented net of tax.

28. Non-controlling interest

The table below is a breakdown by groups of consolidated entities of the balance under the heading "Minority interests (non-controlling interest)" of total equity in the accompanying consolidated balance sheets is as follows:

Non-controlling interests: breakdown by subgroups (Millions of Euros)

	June 2020	December 2019
Garanti BBVA	3,988	4,240
BBVA Peru	1,222	1,334
BBVA Argentina	439	422
BBVA Colombia	65	76
BBVA Venezuela	66	71
Other entities	55	57
Total	**5,836**	**6,201**

These amounts are broken down by groups of consolidated entities under the heading "Profit for the year- Attributable to minority interests (non-controlling interest)" in the accompanying consolidated income statements:

Profit attributable to non-controlling interests (Millions of Euros)	June 2020	June 2019
Garanti BBVA	274	291
BBVA Peru	39	115
BBVA Argentina	18	60
BBVA Colombia	2	5
BBVA Venezuela	(2)	2
Other entities	3	2
Total	**333**	**475**

29. Capital base and capital management

The eligible capital instruments and the risk-weighted assets of the Group (phased in) are shown below, calculated in accordance with the applicable regulation, considering the entities in scope required by such regulation, as of June 30, 2020 and December 31, 2019:

Capital ratios (phased-in)	June 2020 (*)	December 2019
Eligible Common Equity Tier 1 capital (millions of Euros) (a)	42,118	43,653
Eligible Additional Tier 1 capital (millions of Euros) (b)	6,067	6,048
Eligible Tier 2 capital (millions of Euros) (c)	9,345	8,304
Risk Weighted Assets (millions of Euros) (d)	362,050	364,448
Common Tier 1 capital ratio (CET 1) (A)=(a)/(d)	11.63%	11.98%
Additional Tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.68%	1.66%
Tier 1 capital ratio (Tier 1) (A)+(B)	13.31%	13.64%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.58%	2.28%
Total capital ratio (A)+(B)+(C)	**15.89%**	**15.92%**

(*) Provisional data

The uncertainty caused by the COVID-19 pandemic has led to a significant fluctuation in asset prices in the financial markets, accompanied by a sharp increase in volatility; the stock exchanges have experienced falls in response to the impact of the crisis on corporate earnings and the increase in risk aversion that has also spread to the debt markets, as well as the evolution of exchange rates. All this has caused a negative impact on the Group's capital ratios until June 30, 2020. However, during the second quarter of the year, the stability of the financial markets, largely motivated by the stimulus measures for the economy announced by the different national and supranational authorities, have partially recovered the shocks produced in asset prices and the volatility has been reduced, which has had a positive contribution in the capital ratios during the last quarter.

In addition, the approval by the European Parliament and the Council of Regulation 2020/873 (known as "CRR Quick Fix"), amending both Regulation 575/2013 (Capital Requirement Regulation (CRR)) and Regulation 2019/876 (Capital Requirement Regulation 2 (CRR2)) has contributed positively to the capital ratios.

As of June 30, 2020, the CET 1 ratio stood at 11.63%, which represents a reduction of 34 basis points compared to December 31, 2019.

The additional Tier 1 capital (AT1) stood at 1.68% at the end of June 2020, remaining at similar levels than previous quarters, while the Tier 2 ratio increased by 30 basis points to 2.58% explained partly by the new Tier 2 instruments issued by the Group during the first half of the year.

As a result, the total capital ratio stood at 15.89%, remaining at a similar level to that of December 2019.

The risk-weighted assets during the first six months of the year, affected by the evolution of exchange rates decreased by approximately €2,400 million.

The breakdown of the leverage ratio as of June 30, 2020 and December 31, 2019, calculated according to CCR, is as follows:

Leverage ratio

	June 2020 (*)	December 2019
Tier 1 (millions of Euros) (a)	48,185	49,701
Exposure to leverage ratio (millions of Euros) (b)	771,590	731,087
Leverage ratio (a)/(b) (percentage)	6.24%	6.80%

(*) Provisional data

30. Commitments and guarantees given

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Commitments and guarantees given (Millions of Euros)

	Notes	June 2020	December 2019
Loan commitments given	6.2.2	**134,494**	**130,923**
Of which: defaulted		*227*	*270*
Central banks		-	-
General governments		*2,897*	*3,117*
Credit institutions		*14,450*	*11,742*
Other financial corporations		*4,955*	*4,578*
Non-financial corporations		*69,184*	*65,475*
Households		*43,008*	*46,011*
Financial guarantees given	6.2.2	**10,989**	**10,984**
Of which: defaulted (*)		*261*	*224*
Central banks		-	-
General governments		*109*	*125*
Credit institutions		*427*	*995*
Other financial corporations		*677*	*583*
Non-financial corporations		*9,529*	*8,986*
Households		*247*	*295*
Other commitments given	6.2.2	**38,563**	**39,209**
Of which: defaulted (*)		*441*	*506*
Central banks		*106*	*1*
General governments		*1,685*	*521*
Credit institutions		*5,119*	*5,952*
Other financial corporations		*3,924*	*2,902*
Non-financial corporations		*27,535*	*29,682*
Households		*193*	*151*
Total	6.2.2	**184,046**	**181,116**

(*) Non-performing financial guarantees given amounted to €702 million and €730 million, respectively, as of June 30, 2020 and December 31, 2019, respectively.

As of June 30, 2020, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the consolidated balance sheet amounted €376 million, €167 million and €231 million, respectively (see Note 23).

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

31. Other contingent assets and liabilities

As of June 30, 2020 and December 31, 2019, there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the condensed interim consolidated Financial Statements.

32. Net interest income

32.1 Interest and other income

The breakdown of the interest and other income recognized in the accompanying consolidated income statement is as follows:

Interest and other income. Breakdown by origin (Millions of Euros)

	June 2020	June 2019
Financial assets held for trading	711	1,071
Financial assets designated at fair value through profit or loss	80	77
Financial assets at fair value through other comprehensive income	714	975
Financial assets at amortized cost	11,031	12,911
Insurance activity	477	493
Adjustments of income as a result of hedging transactions	1	(38)
Other income	214	143
Total	**13,228**	**15,633**

32.2 Interest expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Interest expense. Breakdown by origin (Millions of Euros)

	June 2020	June 2019
Financial liabilities held for trading	344	746
Financial liabilities designated at fair value through profit or loss	33	3
Financial liabilities at amortized cost	3,891	5,613
Adjustments of expense as a result of hedging transactions	(176)	(136)
Insurance activity	324	338
Cost attributable to pension funds	33	44
Other expense	125	82
Total	**4,574**	**6,691**

33. Dividend income

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 34), as per the breakdown below:

Dividend income. Breakdown by headline (Millions of Euros)

	June 2020	June 2019
Non-trading financial assets mandatorily at fair value through profit or loss	7	25
Financial assets at fair value through other comprehensive income	70	78
Total	**77**	**103**

34. Share of profit or loss of entities accounted for using the equity method

Results from "Share of profit or loss of entities accounted for using the equity method" resulted in a loss of €17 million for the six months ended June 30, 2020, compared with the loss of €19 million recorded for the six months ended June 30, 2019.

35. Fee and commission income and expense

The breakdown of the balance under these headings in the accompanying consolidated income statements is as follows:

Fee and commission income. Breakdown by origin (Millions of Euros)

	June 2020	June 2019
Bills receivables	17	19
Demand accounts	265	232
Credit and debit cards and ATMs	1,123	1,538
Checks	71	100
Transfers and other payment orders	368	393
Insurance product commissions	76	90
Loan commitments given	69	60
Other commitments and financial guarantees given	185	196
Asset management	582	511
Securities fees	199	158
Custody securities	73	59
Other fees and commissions	297	303
Total	**3,325**	**3,661**

The breakdown of the balance under these headings in the accompanying consolidated income statements is as follows:

Fee and commission expense. Breakdown by origin (Millions of Euros)

	June 2020	June 2019
Demand accounts	11	18
Credit and debit cards	621	798
Transfers and other payment orders	83	65
Commissions for selling insurance	25	26
Custody securities	25	16
Other fees and commissions	259	268
Total	**1,024**	**1,191**

36. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

The breakdown of the balance under these headings, by source of the related items, in the accompanying consolidated income statements is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	June 2020	June 2019
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	229	67
Financial assets at amortized cost	106	15
Other financial assets and liabilities	123	53
Gains (losses) on financial assets and liabilities held for trading, net	187	173
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	129	98
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	205	(3)
Gains (losses) from hedge accounting, net	41	73
Subtotal gains (losses) on financial assets and liabilities	**790**	**408**
Exchange differences	316	134
Total	**1,107**	**542**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by instrument (Millions of Euros)

	June 2020	June 2019
Debt instruments	646	451
Equity instruments	(1,374)	764
Trading derivatives and hedge accounting	1,384	(653)
Loans and advances to customers	119	92
Customer deposits	(9)	32
Other	25	(277)
Total	790	408

37. Other operating income and expense

The breakdown of the balance under the heading "Other operating income" in the accompanying consolidated income statements is as follows:

Other operating income (Millions of Euros)

	June 2020	June 2019
Gains from sales of non-financial services	115	129
Hyperinflation adjustment	39	63
Other operating income	76	145
Total	230	337

The breakdown of the balance under the heading "Other operating expense" in the accompanying consolidated income statements is as follows:

Other operating expense (Millions of Euros)	June 2020	June 2019
Change in inventories	55	59
Contributions to guaranteed banks deposits funds	397	353
Hyperinflation adjustment	161	249
Other operating expense	235	334
Total	**848**	**995**

38. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Income and expense from insurance and reinsurance contracts (Millions of Euros)	June 2020	June 2019
Income from insurance and reinsurance contracts	1,307	1,547
Expense from insurance and reinsurance contracts	(765)	(983)
Total	**542**	**565**

39. Administration costs

39.1 Personnel expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Personnel expense (Millions of Euros)	Notes	June 2020	June 2019
Wages and salaries		2,225	2,435
Social security costs		379	396
Defined contribution plan expense	24	49	55
Defined benefit plan expense	24	27	24
Other personnel expense		195	222
Total		**2,875**	**3,131**

39.2 Other administrative expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Other administrative expense. Breakdown by main concepts (Millions of Euros)

	June 2020	June 2019
Technology and systems	640	604
Communications	106	109
Advertising	121	158
Property, fixtures and materials	248	266
Of which: rent expense	*46*	*52*
Taxes other than income tax	199	203
Surveillance and cash courier services	84	92
Other expense	474	521
Total	**1,872**	**1,953**

40. Depreciation and amortization

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Depreciation and amortization (Millions of Euros)

	June 2020	June 2019
Tangible assets	456	488
Of which: For own use	266	294
Of which: Right-of-use assets	188	192
Intangible assets	310	302
Total	**766**	**790**

41. Provisions or (reversal) of provisions

In the six months ended June 30, 2020 and 2019 the net provisions recognized in this income statement line item were as follows:

Provisions or (reversal) of provisions (Millions of Euros)

	Notes	June 2020	June 2019
Pensions and other post employment defined benefit obligations	24	145	127
Commitments and guarantees given		106	7
Pending legal issues and tax litigation		199	75
Other provisions		90	51
Total		**541**	**261**

42. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

The breakdown of Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying consolidated income statements is as follows:

Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)

	Notes	**June 2020**	**June 2019**
Financial assets at fair value through other comprehensive income - Debt securities	12.4	71	5
Financial assets at amortized cost (*)		4,075	1,727
Of which: recovery of written-off assets		*(145)*	*(534)*
Total		**4,146**	**1,731**

(*) As of June 30, 2020 the amount includes mainly the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic (see Notes 1.5 and 6.2).

43. Impairment or (reversal) of impairment of investments in joint ventures and associates

The heading "Impairment or reversal of the impairment of investments in joint ventures or associates" resulted in a loss of €60 million for the six months ended June 30, 2020, compared with nil impairment recorded for the six months ended June 30, 2019.

44. Impairment or (reversal) of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying consolidated income statements are as follows:

Impairment or (reversal) of impairment on non-financial assets (Millions of Euros)

	Notes	**June 2020**	**June 2019**
Tangible assets		62	30
Intangible assets	17	2,087	1
Others		-	13
Total		**2,149**	**44**

45. Gains (losses) on derecognition of non-financial assets and subsidiaries, net

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Gains (losses) on derecognition of non-financial assets and subsidiaries, net (Millions of Euros)

	June 2020	**June 2019**
Gains		
Disposal of investments in non-consolidated subsidiaries	1	-
Disposal of tangible assets and other	4	13
Losses		
Disposal of investments in non-consolidated subsidiaries	-	-
Disposal of tangible assets and other	(1)	(6)
Total	**4**	**8**

46. Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	June 2020	June 2019
Gains on sale of real estate	44	26
Impairment of non-current assets held for sale	(53)	(15)
Total	**(9)**	**11**

47. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are not material and are carried out under normal market conditions. As of June 30, 2020 and December 31, 2019, the transactions with related parties are the following:

47.1 Transactions with significant shareholders

As of June 30, 2020 and December 31, 2019 there were no shareholders considered significant (see Note 25).

47.2 Transactions with BBVA Group entities

The balances of the main captions in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)

	June 2020	December 2019
Assets		
Loans and advances to credit institutions	61	26
Loans and advances to customers	1,909	1,682
Liabilities		
Loan commitments given	1	3
Other contingent commitments given	859	453
Financial guarantees given	-	-
Memorandum accounts		
Loan commitments given	156	166
Other contingent commitments given	1,397	1,042
Financial guarantees given	50	106

The balances of the main aggregates in the accompanying consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)

	June 2020	June 2019
Gains and losses:		
Interest and other income	9	26
Interest expense	-	1
Fee and commission income	3	2
Fee and commission expense	19	14

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1 to the consolidated Financial Statements of 2019) and from the insurance policies to cover pension or similar commitments (see Note 25 to the consolidated Financial Statements of 2019) and the derivatives transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its regular activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying consolidated financial statements.

47.3 Transactions with members of the Board of Directors and Senior Management

The amount and nature of the transactions carried out with members of the Board of Directors and Senior Management of BBVA is given below. These transactions belong to the Bank's ordinary business or traffic, are of little relevance and have being carried out under normal market conditions.

As of June 30, 2020, there were no loans granted by the Group's entities to the members of the Board of Directors. As of December 31, 2019, the amount availed against the loans granted by the Group's entities to the members of the Board of Directors amounted to €607 thousand.

As of June 30, 2020 and December 31, 2019, there were no loans granted to parties related to the members of the Board of Directors.

As of June 30, 2020 and December 31, 2019 the amount availed against the loans granted by the Group's entities to the members of Senior Management (excluding the executive directors) amounted to €4,510 and €4,414 thousand, respectively. As of June 30, 2020 there were no loans granted by the Group's entities to parties related to members of the Senior Management, and, as of December 31, 2019, the amount availed against the loans granted to parties related to members of the Senior Management amounted to €57 thousand.

As of June 30, 2020, and December 31, 2019, no guarantees had been granted to any member of the Board of Directors.

As of June 30, 2020 and December 31, 2019, the amount availed against guarantees arranged with members of the Senior Management amounted to €10 thousand, respectively.

As of June 30, 2020 and December 31, 2019 the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management amounted to €25 thousand, respectively.

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 48.

47.4 Transactions with other related parties

During the six months ended June 30, 2020 and the year ended December 31, 2019, the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, net earnings and financial situation.

48. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

Note 54 of the Notes to the BBVA Group's Consolidated Annual Financial Statements, corresponding to the financial year ending December 31, 2019, details the remuneration and other benefits corresponding to the members of the Board of Directors and of the Bank's Senior Management, including the description of the applicable policies and remuneration systems, and information regarding the conditions to receive remuneration and other benefits.

The Bank's General Shareholders' Meeting held on 15 March 2019 approved the Remuneration Policy for BBVA Directors applicable in the 2019, 2020 and 2021 financial years.

On the basis of said policies and remuneration systems, information regarding the remuneration and other benefits for the members of the Board of Directors and for Senior Management corresponding to the period between the start of the financial year and June 30, 2020 is shown below.

● Remuneration of non-executive directors

The remuneration paid to non-executive directors during the first half of the 2020 financial year is itemized per director below:

Remuneration for non-executive directors (thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remunerations Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions (1)	Total
José Miguel Andrés Torrecillas	64	28	33	36	-	58	-	25	244
Jaime Caruana Lacorte	64	83	83	53	-	-	-	-	284
Raúl Galamba de Oliveira (2)	43	-	-	18	-	-	11	-	71
Belén Garijo López	64	-	33	-	54	23	-	-	174
Sunir Kumar Kapoor	64	-	-	-	-	-	21	-	86
Lourdes Máiz Carro	64	-	33	-	21	-	-	-	119
José Maldonado Ramos	64	83	-	-	-	23	-	-	171
Ana Peralta Moreno	64	-	33	-	21	-	-	-	119
Juan Pi Llorens	64	-	-	107	-	23	21	40	256
Ana Revenga Shanklin (2)	32	-	-	18	-	-	-	-	50
Susana Rodríguez Vidarte	64	83	-	53	-	23	-	-	224
Carlos Salazar Lomelín (2)	32	-	-	-	7	-	-	-	39
Jan Verplancke	64	-	-	-	7	-	21	-	93
Total (3)	**751**	**278**	**215**	**285**	**111**	**150**	**75**	**65**	**1,930**

(1) Amounts received during the first half of 2020 by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Director.

(2) Directors appointed by the General Meeting held on 13 March 2020. Remunerations paid based on the date on which the position was accepted.

(3) Including the amounts corresponding to the positions of the member of the Board and of the various committees during the first half of the 2020 financial year. The composition of these committees was amended by agreement of the Board of Directors dated 29 April 2020.

In addition, Tomás Alfaro Drake and Carlos Loring Martínez de Irujo, who left their roles as directors on 13 March 2020, received a total of €54 thousand and €111 thousand, respectively, for their membership of the Board and to the various Board Committees during the first quarter of the financial year.

Likewise, during the first half of the 2020 financial year, €109 thousand was paid in healthcare and casualty insurance premiums to non-executive directors.

● Remuneration of executive directors

The remuneration paid to non-executive directors during the first half of the 2020 financial year is itemized per director below:

Fixed remuneration (thousands of Euros)	
Chairman	1,227
Chief Executive Officer (1)	1,090
Total	**2,316**

(1) In addition, in accordance with the current Remuneration Policy for BBVA Directors, during the first half of the 2020 financial year, the Chief Executive Officer received €327 thousand as cash in lieu of pension and €300 thousand as a mobility allowance.

Variable remuneration corresponding to previous financial years (1)	**In cash** (thousands of euro)	**In shares**
Chairman	1,292	215,628
Chief Executive Officer	775	144,578
Total	**2,067**	**360,206**

(1) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration (AVR) for the 2019 financial year and to the deferred AVR for the 2016 financial year to be paid in 2020, along with its update in cash. The deferred AVR for the 2016 financial year of the Chairman and the Chief Executive Officer is associated with their previous roles as Chief Executive Officer and President & CEO of BBVA Compass (now BBVA USA), respectively.

Moreover, in the first half of the 2020 financial year, remuneration in kind was paid to executive directors, including insurance premiums and other items, for a total amount of €333 thousand, of which €204 thousand correspond to the Chairman and €129 thousand to the Chief Executive Officer.

As Head of Global Economics & Public Affairs (Head of GE&PA), former executive director José Manuel González Páramo Martínez-Murillo, who left his role of director on 13 March 2020, received €168 thousand in fixed remuneration; €174 thousand and 28,353 BBVA shares, corresponding to 40% of the AVR for the 2019 financial year and the deferred portion of the AVR for the 2016 financial year, payment of which was due in the 2020 financial year, including the corresponding cash update; as well as €33 thousand in remuneration in kind.

● Remuneration of members of Senior Management (*)

The remuneration paid to the Senior Management as a whole during the first half of the 2020 financial year, excluding executive directors, is itemized below:

Fixed remuneration (thousands of Euros)	
Senior Management total	7,444

Variable remuneration corresponding to previous financial years (1)	**In cash** (1) (thousands of euro)	**In shares** (1)
Senior Management total	2,832	465,709

(1) Remuneration corresponding to the upfront portion (40%) of the AVR for the 2019 financial year and, in the case of members who were beneficiaries, to the deferred AVR for the 2016 financial year to be paid in 2020, along with its update in cash. For those members of Senior Management appointed by the Board of Directors during the 2019 financial year, the remuneration included relates to their previous positions.

(*) 15 members with such status as of June 30, 2020, excluding executive directors.

Furthermore, during the first half of the 2020 financial year, remuneration in kind was paid in favor of Senior Management as a whole, excluding executive directors, which included insurance premiums and other items, for a total amount of €678 thousand.

• Remuneration system with deferred delivery of shares for non-executive directors

During the first half of the 2020 financial year, the following theoretical shares were allocated, derived from the remuneration system with deferred delivery of shares for non-executive directors, equivalent to 20% of the total remuneration in cash received by each director in 2019:

	Theoretical shares allocated in 2020	Theoretical shares accumulated as of June 30, 2020
José Miguel Andrés Torrecillas	20,252	75,912
Jaime Caruana Lacorte	22,067	31,387
Belén Garijo López	14,598	62,126
Sunir Kumar Kapoor	7,189	22,915
Lourdes Máiz Carro	10,609	44,929
José Maldonado Ramos	14,245	108,568
Ana Peralta Moreno	10,041	15,665
Juan Pi Llorens	20,676	92,817
Susana Rodríguez Vidarte	18,724	141,138
Jan Verplancke	7,189	12,392
Total (1)	**145,590**	**607,849**

(1) Furthermore, 8,984 theoretical shares were assigned to Tomás Alfaro Drake and 18,655 theoretical shares were assigned Carlos Loring Martínez de Irujo, who left their roles as directors on 13 March 2020. After leaving their roles, both directors received a number of BBVA shares equivalent to the total number of theoretical shares that each of them had accumulated to date (102,571 and 135,046 BBVA shares, respectively) in application of the system.

• Pension commitments with executive directors and members of Senior Management

Executive directors (thousands of Euros)

	Contributions [(1)]		Accumulated funds
	Retirement	Death and disability	
Chairman	836	189	21,353
Chief Executive Officer	-	126	-
Total	**836**	**315**	**21,353**

(1) Contributions registered to fulfil the proportion of pension commitments undertaken with the executive directors corresponding to the first half of the 2020 financial year. In the case of the Chairman, these correspond to the sum of the annual contribution to cover retirement benefits and the adjustment made to the discretionary pension benefits for the 2019 financial year that fell due in the 2020 financial year once the AVR for the year 2019 had been determined and to the death and disability premiums. For the Chief Executive Officer, the contributions registered correspond exclusively to the proportion of the premiums for death and disability given that, in his case, no commitments were made for the retirement benefit.

In the case of the head of GE&PA, €89 thousand was registered in contributions to fulfil the pension commitments undertaken in proportion to the time spent in office during the first half of the 2020 financial year. This corresponds to the sum of the annual contribution to cover retirement benefits and the adjustment made to the discretionary pension benefits for the 2019 financial year that fell due in the 2020 financial year once the AVR for the year 2019 (€52 thousand) had been determined and to the death and disability premiums (€37 thousand).

As of the date on which he left his position, the total accumulated fund to meet the retirement commitments for the former head of GE&PA was €1,404 thousand, with no further contributions to be made by the Bank from that point on.

Senior Management (thousands of Euros)

	Contributions [1]		Accumulated funds
	Retirement	Death and disability	
Senior Management total*	1,487	517	20,613

(1) Contributions registered to fulfil the proportion of pension commitments undertaken with the Senior Management as a whole for the first half of the 2020 financial year corresponding to the sum of the annual contributions to cover retirement benefits and the adjustments to discretionary pension benefits for the 2019 financial year that fell due in the 2020 financial year once the AVR for the year 2019 had been determined, and to the death and disability premiums.

(*) 15 members with such status as of June 30, 2020, excluding executive directors.

● Payments for the termination of the contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, the Bank has no commitments to pay severance payments to executive directors.

The contractual framework defined for the executive directors, in accordance with the Remuneration Policy for BBVA Directors, establishes a post-contractual non-compete agreement for executive directors, effective for a period of two (2) years after they cease as BBVA executive directors, provided that they do not leave due to retirement, disability or serious dereliction of duties. In compensation for this agreement, the Bank shall award them remuneration to an amount equivalent to one Annual Fixed Remuneration per year of duration, which will be paid monthly over the course of the two-year duration of the non-compete agreement.

Accordingly, the executive director Head of GE&PA, who left his role on 13 March 2020, received €249 thousand during the first half of 2020.

With regard to the Senior Management team, excluding executive directors, during the first half of the 2020 financial year, the Bank has paid out a total of €2,185 thousand, resulting from the termination of the contractual relationship with one member of Senior Management and in fulfilment of the provisions of their contract (for the payment of legal indemnity and notice). In addition, the contract establishes a non-competition clause, effective for a period of one (1) year after they leave their role as a senior manager of BBVA, provided that they do not leave due to retirement, disability or serious dereliction of duties. In compensation for this agreement, the member of senior management received a total of €408 thousand during the first half of 2020.

49. Other information

49.1 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash during the six months ended June 2020 and 2019 (cash basis dividend, regardless of the year in which they were accrued).

Dividends paid

	June 2020			June 2019		
	% Over nominal	**Euros per share**	**Amount (Millions of Euros)**	**% Over nominal**	**Euros per share**	**Amount (Millions of Euros)**
Ordinary shares	32.65%	0.16	1,067	32.65%	0.16	1,067
Other shares	-	-	-	-	-	-
Total dividends paid in cash	**32.65%**	**0.16**	**1,067**	**32.65%**	**0.16**	**1,067**
Dividends with charge to income	32.65%	0.16	1,067	32.65%	0.16	1,067
Dividends with charge to reserve or share premium	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-

Ordinary income and attributable profit by operating segment

The detail of the consolidated ordinary income and profit for each operating segment is as follows for the six months ended June 30, 2020 and 2019:

Ordinary income and attributable profit by operating segment (Millions of Euros)

	Income from ordinary activities (1)		Profit/ (loss) (2)	
	June 2020	**June 2019**	**June 2020**	**June 2019**
Spain	4,630	4,952	88	734
The United States	2,148	2,245	26	297
Mexico	5,688	6,349	654	1,287
Turkey	3,515	4,602	266	282
South America	2,811	3,567	159	404
Rest of Eurasia	364	334	66	55
Subtotal	**19,156**	**22,050**	**1,259**	**3,058**
Corporate Center	(201)	(360)	(2,416)	(616)
Total	**18,956**	**21,690**	**(1,157)**	**2,442**

(1) The line comprises interest income; dividend income; fee and commission income; gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains (losses) on financial assets and liabilities held for trading, net; gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net; gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; gains (losses) from hedge accounting, net; other operating income; and income from insurance and reinsurance contracts.

(2) See Note 5.

Interest income and similar income by geographical area

The breakdown of the balance of "Interest income and similar income" in the accompanying consolidated income statements by geographical area is as follows:

Interest income and similar income. Breakdown by geographical area (Millions of Euros)

	Notes	June 2020	June 2019
Domestic		2,370	2,421
Foreign		10,857	13,212
European Union		207	245
Eurozone		130	164
No Eurozone		77	81
Other countries		10,651	12,967
Total	32.1	**13,228**	**15,633**
Of which BBVA, S.A.:			
Domestic		2,119	2,154
Foreign		275	286
European Union		101	104
Eurozone		81	83
No Eurozone		20	22
Other countries		174	182
Total		**2,394**	**2,440**

Average number of employees

The breakdown of the average number of employees in the BBVA Group as of June 30, 2020 and 2019 is as follows:

Average number of employees

	June 2020	June 2019
BBVA Group	125,953	125,907
Men	*58,285*	*58,203*
Women	*67,668*	*67,704*
Of which BBVA, S.A.:	25,299	25,879
Men	*12,501*	*12,842*
Women	*12,798*	*13,037*

49.2 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated March 25, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix II.

50. Subsequent events

On July 15, 2020, BBVA carried out an issue of preferred securities contingently convertible into newly issued ordinary shares of BBVA with exclusion of pre-emptive subscription rights for shareholders for a total nominal amount of €1,000 million (see Note 6.3).

From July 1, 2020 to the date of preparation of these consolidated Financial Statements, no subsequent events requiring disclosure in these interim consolidated Financial Statements have taken place that significantly affect the Group's earnings or its consolidated equity position.

51. Explanation added for translation into English

These accompanying condensed interim Consolidated Financial Statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

Appendices

APPENDIX I. Interim Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)	June 2020	December 2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**35,107**	**18,419**
FINANCIAL ASSETS HELD FOR TRADING	**100,037**	**84,842**
Derivatives	45,249	32,988
Equity instruments	5,418	8,205
Debt securities	13,601	10,213
Loans and advances to central banks	336	484
Loans and advances to credit institutions	23,084	20,688
Loans and advances to customers	12,350	12,263
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**437**	**855**
Equity instruments	229	125
Debt securities	115	128
Loans and advances to customers	92	602
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	**34,442**	**24,905**
Equity instruments	1,224	1,749
Debt securities	33,217	23,156
FINANCIAL ASSETS AT AMORTIZED COST	**238,545**	**225,369**
Debt securities	23,426	21,496
Loans and advances to central banks	4	5
Loans and advances to credit institutions	10,490	8,049
Loans and advances to customers	204,625	195,819
DERIVATIVES – HEDGE ACCOUNTING	**1,269**	**953**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**60**	**28**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**28,127**	**30,563**
Subsidiaries	27,063	29,445
Joint ventures	54	54
Associates	1,010	1,065
TANGIBLE ASSETS	**4,228**	**4,467**
Property, plant and equipment	4,138	4,384
For own use	4,138	4,384
Other assets leased out under an operating lease	-	-
Investment properties	90	83
INTANGIBLE ASSETS	**892**	**905**
Goodwill	-	-
Other intangible assets	892	905
TAX ASSETS	**13,223**	**13,760**
Current	686	1,443
Deferred	12,537	12,317
OTHER ASSETS	**2,878**	**2,600**
Insurance contracts linked to pensions	2,037	2,096
Inventories	-	-
Other	841	504
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**930**	**967**
TOTAL ASSETS	460,174	408,634

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Millions of Euros)	June 2020	December 2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**93,455**	**74,364**
Trading derivatives	44,200	32,503
Short positions	9,563	9,956
Deposits from central banks	1,512	1,867
Deposits from credit institutions	27,337	24,425
Customer deposits	10,844	5,612
Debt certificates	-	-
Other financial liabilities	-	-
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,678**	**2,968**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	2,678	2,968
Debt certificates	-	-
Other financial liabilities	-	-
Of which: Subordinated liabilities	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**320,807**	**285,260**
Deposits from central banks	40,744	24,390
Deposits from credit institutions	21,305	18,201
Customer deposits	206,792	191,461
Debt certificates	41,630	40,845
Other financial liabilities	10,337	10,362
Of which: Subordinated liabilities	*9,868*	*10,362*
DERIVATIVES – HEDGE ACCOUNTING	**1,384**	**1,471**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
PROVISIONS	**4,579**	**4,616**
Provisions for pensions and similar obligations	3,630	3,810
Other long term employee benefits	18	25
Provisions for taxes and other legal contingencies	457	359
Provisions for contingent risks and commitments	243	235
Other provisions	231	188
TAX LIABILITIES	**1,313**	**1,120**
Current	224	149
Deferred	1,090	972
OTHER LIABILITIES	**2,109**	**1,645**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-	-
TOTAL LIABILITIES	**426,325**	**371,445**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	June 2020	December 2019 (*)
SHAREHOLDERS' FUNDS	34,698	37,570
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	-	-
Share premium	**23,992**	**23,992**
Equity instruments issued other than capital	**-**	**-**
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
Other equity	**29**	**48**
Retained earnings	**8,998**	**9,107**
Revaluation reserves	**-**	**-**
Other reserves	**2**	**1**
Less: Treasury shares	**-**	**-**
Profit or loss of the period	**(1,590)**	**2,241**
Less: Interim dividends	**-**	**(1,086)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	(849)	(381)
Items that will not be reclassified to profit or loss	**(985)**	**(520)**
Actuarial gains or (-) losses on defined benefit pension plans	(73)	(75)
Non-current assets and disposal groups classified as held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(980)	(469)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	67	24
Items that may be reclassified to profit or loss	**136**	**138**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges (effective portion)	(136)	(196)
Fair value changes of debt instruments measured at fair value through other comprehensive income	273	335
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	33,849	37,189
TOTAL EQUITY AND TOTAL LIABILITIES	460,174	408,634

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)	June 2020	December 2019 (*)
Loan commitments given	81,632	73,582
Financial guarantees given	8,945	9,086
Contingent commitments given	28,984	28,151

(*)Presented for comparison purposes only.

INCOME STATEMENTS (Millions of Euros)

	June 2020	June 2019 (*)
Interest and other income	2,394	2,440
Financial assets and liabilities at fair value through other comprehensive income	137	146
Financial assets at amortized cost	2,011	2,155
Other interest income	246	139
Interest expense	(614)	(784)
NET INTEREST INCOME	**1,780**	**1,656**
Dividend income	934	1,496
Fee and commission income	1,067	1,022
Fee and commission expense	(173)	(207)
Gains (losses) on recognition of financial assets and liabilities not measured at fair value through profit or loss, net	141	18
Financial assets at amortized cost	100	-
Other financial assets and liabilities	41	18
Gains (losses) from hedge accounting, net	300	200
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or losses	300	200
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss, net	8	8
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or losses	8	8
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(65)	(82)
Gains (losses) from hedge accounting, net	10	34
Exchange differences,	(65)	(117)
Other operating income	71	64
Other operating expense	(248)	(227)
GROSS INCOME	**3,760**	**3,865**
Administration costs	(1,785)	(1,939)
Personnel expense	(1,057)	(1,185)
Other administrative expense	(728)	(753)
Depreciation and amortization	(332)	(333)
Provisions or (reversal) of provisions	(372)	(208)
Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss	(945)	73
Financial assets at amortized cost	(932)	74
Financial assets at fair value through other comprehensive income	(13)	(1)
NET OPERATING INCOME	**326**	**1,458**
Impairment or (reversal) of impairment of investments in joint ventures and associates	(1,823)	(311)
Impairment or (reversal) of impairment on non-financial assets	(46)	(26)
Tangible assets	(46)	(27)
Intangible assets	-	-
Other assets	-	1
Gains or (losses) on derecognized assets not classified as non-current assets held for sale, net	-	-
Negative goodwill recognized in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(24)	(3)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(1,567)**	**1,117**
Tax expense or income related to profit or loss from continuing operations	(24)	12
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**(1,590)**	**1,129**
Profit or loss after tax from discontinued operations	-	-
PROFIT FOR THE PERIOD	**(1,590)**	**1,129**

(*)Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	June 2020	June 2019 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	(1,590)	1,129
OTHER RECOGNIZED INCOME (EXPENSES)	(468)	(79)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(466)	(111)
Actuarial gains (losses) from defined benefit pension plans	2	(1)
Non-current assets available for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(525)	(15)
Gains or losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	62	(130)
Income tax related to items not subject to reclassification to income statement	(5)	34
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(2)	33
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Foreign currency translation	**-**	**-**
Translation gains or (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	**86**	**(41)**
Valuation gains or (losses) taken to equity	86	(41)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [non-designated elements]	**-**	**-**
Debt securities at fair value through other comprehensive income	**(89)**	**87**
Valuation gains (losses)	(51)	100
Amounts reclassified to income statement	(38)	(13)
Reclassifications (other)	-	-
Non-current assets held for sale and disposal groups held for sale	**-**	**-**
Income tax related to items subject to reclassification to income statement	**1**	**(14)**
TOTAL RECOGNIZED INCOME/EXPENSES	(2,058)	1,051

(*)Presented for comparison purposes only.

Statement of changes in equity for the six months ended June 30, 2020 of BBVA, S.A.

STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2020	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2020	3,267	23,992	-	48	9,107	-	1	-	2,241	(1,086)	(381)	37,189
Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	3,267	23,992	-	48	9,107	-	1	-	2,241	(1,086)	(381)	37,189
Total income/expense recognized	-	-	-	-	-	-	-	-	(1,590)	-	(468)	(2,058)
Other changes in equity	-	-	-	(18)	(109)	-	1	-	(2,241)	1,086	-	(1,282)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,067)	-	-	-	-	-	-	(1,067)
Purchase of treasury shares	-	-	-	-	-	-	-	(422)	-	-	-	(422)
Sale or cancellation of treasury shares	-	-	-	-	-	-	2	422	-	-	-	424
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	(2)	1,159	-	(1)	-	(2,241)	1,086	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	(16)	(201)	-	-	-	-	-	-	(217)
Balances as of June 30, 2019	3,267	23,992	-	29	8,998	-	2	-	(1,590)	-	(849)	33,849

Statement of changes in equity for the six months ended June 30, 2019 of BBVA, S.A.

STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2019 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2019	3,267	23,992	-	46	8,829	-	(30)	(23)	2,450	(1,114)	(8)	37,409
Effect of changes in accounting policies	-	-	-	-	-	-	1	-	-	-	-	1
Adjusted initial balance	3,267	23,992	-	46	8,829	-	(29)	(23)	2,450	(1,114)	(8)	37,410
Total income/expense recognized	-	-	-	-	-	-	-	-	1,129	-	(79)	1,050
Other changes in equity	-	-	-	(9)	273	-	34	10	(2,450)	906	-	(1,236)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,067)	-	-	-	-	(208)	-	(1,275)
Purchase of treasury shares	-	-	-	-	-	-	-	(517)	-	-	-	(517)
Sale or cancellation of treasury shares	-	-	-	-	-	-	37	527	-	-	-	564
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	(1)	1,340	-	(3)	-	(2,450)	1,114	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	(8)	-	-	-	-	-	-	-	(8)
Balances as of June 30, 2019	3,267	23,992	-	37	9,102	-	5	(13)	1,129	(208)	(87)	37,224

(*)Presented for comparison purposes only.

CASH FLOWS STATEMENTS (Millions of Euros)

	June 2020	June 2019 (*)
A) CASH FLOW FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	18,537	(13,185)
1. Profit for the period	**(1,590)**	**1,129**
2. Adjustments to obtain the cash flow from operating activities:	**2,155**	**838**
Depreciation and amortization	332	333
Other adjustments	1,824	505
3. Net increase/decrease in operating assets	**(37,838)**	**(23,378)**
Financial assets held for trading	(15,196)	(12,335)
Non-trading financial assets mandatorily at fair value through profit or loss	419	917
Other financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(9,537)	(7,316)
Loans and receivables	(13,231)	(5,812)
Other operating assets	(293)	1,168
4. Net increase/decrease in operating liabilities	**55,073**	**8,238**
Financial liabilities held for trading	19,091	8,298
Other financial liabilities designated at fair value through profit or loss	(290)	680
Financial liabilities at amortized cost	36,042	(1,487)
Other operating liabilities	230	747
5. Collection/Payments for income tax	**737**	**(12)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(67)	(176)
1. Investment	**(193)**	**(446)**
Tangible assets	(48)	(45)
Intangible assets	(143)	(150)
Investments	(2)	(106)
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	-	(146)
Other settlements related to investing activities	-	-
2. Divestments	**126**	**270**
Tangible assets	11	20
Intangible assets	-	-
Investments	24	25
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	92	225
Other collections related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(1,775)	(2,399)
1. Investment	**(3,240)**	**(4,806)**
Dividends	(1,067)	(1,274)
Subordinated liabilities	(1,751)	(3,005)
Common stock amortization	-	-
Treasury stock acquisition	(422)	(527)
Other items relating to financing activities	-	-
2. Divestments	**1,465**	**2,407**
Subordinated liabilities	1,000	1,750
Common stock increase	-	-
Treasury stock disposal	427	564
Other items relating to financing activities	38	93
D) EFFECT OF EXCHANGE RATE CHANGES	(6)	(23)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A + B + C + D)	16,688	(15,783)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	18,419	30,922
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E + F)	35,107	15,138

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD (Millions of Euros)

	June 2020	December 2019 (*)
Cash	826	767
Balance of cash equivalent in central banks	32,586	10,015
Other financial assets	1,695	4,357
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35,107	15,138

(*) Presented for comparison purposes only.

This Appendix is an integral part of Note 1.7 of the consolidated Financial Statements for the six months ended June 30, 2020.

APPENDIX II. Information on data derived from the special accounting registry and other information on bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of mortgage bonds, mortgage participations or mortgage transfer certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of June 30, 2020 and December 31, 2019 is shown below.

b.1) Ongoing transactions

Mortgage loans. Eligibility and computability for the purpose of the mortgage market (Millions of Euros)

	June 2020	December 2019
Nominal value of outstanding loans and mortgage loans	90,591	92,757
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	*(29,086)*	*(30,173)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**61,505**	**62,584**
Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*45,120*	*44,759*
Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	*(1,248)*	*(1,191)*
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**43,872**	**43,568**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	35,098	34,854
Issued Mortgage-covered bonds	**32,165**	**32,422**
Outstanding Mortgage-covered bonds	**14,576**	**14,832**
Capacity to issue mortgage-covered bonds	2,933	2,432
Memorandum items:		
Percentage of overcollateralization across the portfolio	*191%*	*193%*
Percentage of overcollateralization across the eligible used portfolio	*136%*	*134%*
Nominal value of available sums (committed and unused) from all loans and mortgage loans.	5,755	5,841
Of which: Potentially eligible	*5,095*	*4,935*
Of which: Ineligible	*660*	*906*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.	9,298	9,989
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.	-	-

Mortgage loans. Eligibility and computability for the purpose of the mortgage market (Millions of Euros)

		June 2020	December 2019
Total loans	(1)	**90,591**	**92,757**
Issued mortgage participations	(2)	**4,316**	**4,494**
Of which: recognized on the balance sheet		*3,081*	*3,213*
Issued mortgage transfer certificates	(3)	**24,770**	**25,679**
Of which: recognized on the balance sheet		*22,068*	*22,899*
Mortgage loans as collateral of mortgages bonds	(4)	-	-
Loans supporting the issuance of mortgage-covered bonds	1-2-3-4	**61,505**	**62,584**
Non-eligible loans		16,385	17,825
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		9,298	9,989
Other		7,087	7,836
Eligible loans		45,120	44,759
That cannot be used as collateral for issuances		1,248	1,191
That can be used as collateral for issuances		43,872	43,568
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		43,872	43,568

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	June 2020			December 2019		
	Total mortgage loans	**Eligible Loans(*)**	**Eligible that can be used as collateral for issuances (**)**	**Total mortgage loans**	**Eligible Loans(*)**	**Eligible that can be used as collateral for issuances (**)**
TOTAL	**61,505**	**45,120**	**43,872**	**62,584**	**44,759**	**43,568**
By source of the operations						
Originated by the bank	56,690	41,024	39,818	57,541	40,462	39,316
Subrogated by other institutions	799	619	613	838	650	644
Rest	4,016	3,477	3,441	4,205	3,647	3,608
By Currency						
In euros	61,318	45,015	43,767	62,263	44,564	43,373
In foreign currency	187	105	105	321	195	195
By payment situation						
Normal payment	53,635	42,002	41,213	53,983	41,331	40,608
Other situations	7,870	3,118	2,659	8,601	3,428	2,960
By residual maturity						
Up to 10 years	14,349	11,049	10,752	13,788	10,376	10,071
10 to 20 years	26,146	22,407	21,606	26,923	22,521	21,836
20 to 30 years	17,435	10,670	10,550	17,528	10,562	10,398
Over 30 years	3,575	994	964	4,345	1,300	1,263
By interest rate						
Fixed rate	11,932	8,127	8,065	11,408	6,768	6,720
Floating rate	49,573	36,993	35,807	51,176	37,991	36,848
Mixed rate	-	-	-	-	-	-
By target of operations						
For business activity	11,193	6,872	5,904	11,709	6,825	5,918
From which: public housing	*2,345*	*1,645*	*806*	*2,333*	*1,529*	*743*
For households	50,312	38,248	37,968	50,875	37,934	37,650
By type of guarantee						
Secured by completed assets/buildings	**59,408**	**43,927**	**43,046**	**60,638**	**43,823**	**42,920**
Residential use	52,089	39,492	38,777	52,831	39,329	38,594
From which: public housing	*3,895*	*3,169*	*3,029*	*4,039*	*3,238*	*3,094*
Commercial	7,292	4,425	4,259	7,779	4,484	4,316
Other	27	10	10	28	10	10
Secured by assets/buildings under construction	**1,300**	**957**	**649**	**1,103**	**671**	**446**
Residential use	1,025	776	468	862	560	335
From which: public housing	*1*	-	-	*5*	*1*	*1*
Commercial	275	181	181	241	111	111
Other	-	-	-	-	-	-
Secured by land	**797**	**236**	**177**	**843**	**265**	**202**
Urban	328	97	44	321	98	43
Non-urban	469	139	133	522	167	159

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

(**) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

June 2020. Eligible loans for the issuance of mortgage bonds (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80%**	**Total**
Home mortgages	13,732	14,620	11,883		40,235
Other mortgages	2,473	2,412			4,885
Total	**16,205**	**17,032**	**11,883**		**45,120**

December 2019. Eligible loans for the issuance of mortgage bonds (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80%**	**Total**
Home mortgages	13,713	14,821	11,562		40,096
Other mortgages	2,484	2,179			4,663
Total	**16,197**	**17,000**	**11,562**		**44,759**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	June 2020		December 2019	
	Eligible (*)	**Non eligible**	**Eligible (*)**	**Non eligible**
Balance at the beginning	**44,759**	**17,825**	**45,664**	**22,074**
Retirements	**3,344**	**3,010**	**7,447**	**8,498**
Held-to-maturity cancellations	2,007	369	4,363	1,062
Anticipated cancellations	985	507	2,231	2,054
Subrogations to other institutions	23	9	22	10
Rest	329	2,125	831	5,372
Additions	**3,705**	**1,570**	**6,542**	**4,249**
Originated by the bank	1,604	1,187	3,219	3,235
Subrogations to other institutions	-	-	4	2
Rest	2,101	383	3,319	1,012
Balance at the end	**45,120**	**16,385**	**44,759**	**17,825**

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	June 2020	**December 2019**
Potentially eligible	5,095	4,935
Ineligible	660	906
Total	**5,755**	**5,841**

b.2) Liabilities operations

Issued mortgage bonds (Millions of Euros)

	June 2020		December 2019	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds	**32,165**		**32,422**	
Of which: Not recognized as liabilities on balance	*17,589*		*14,832*	
Of Which: Outstanding	*14,576*		*17,590*	
Debt securities issued through public offer	12,501		12,501	
Residual maturity up to 1 year	4,801		2,051	
Residual maturity over 1 year and less than 2 years	1,250		2,750	
Residual maturity over 2 years and less than 3 years	2,250		1,250	
Residual maturity over 3 years and less than 5 years	3,000		3,250	
Residual maturity over 5 years and less than 10 years	1,000		3,000	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	17,651		17,662	
Residual maturity up to 1 year	1,550		50	
Residual maturity over 1 year and less than 2 years	-		1,500	
Residual maturity over 2 years and less than 3 years	5,500		2,000	
Residual maturity over 3 years and less than 5 years	7,500		9,000	
Residual maturity over 5 years and less than 10 years	3,101		5,112	
Residual maturity over 10 years	-		-	
Deposits	2,014		2,260	
Residual maturity up to 1 year	400		246	
Residual maturity over 1 year and less than 2 years	225		425	
Residual maturity over 2 years and less than 3 years	168		368	
Residual maturity over 3 years and less than 5 years	471		100	
Residual maturity over 5 years and less than 10 years	100		471	
Residual maturity over 10 years	650		650	
Mortgage participations	**3,081**	**261**	**3,213**	**267**
Issued through public offer	3,081	261	3,213	267
Issued without public offer	-	-	-	-
Mortgage transfer certificates	**22,068**	**261**	**22,899**	**267**
Issued through public offer	22,068	261	22,899	267
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of June 30, 2020 and December 31, 2019.

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)	Nominal value June 2020	Nominal value December 2019
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,678	3,621
Minus: Loans that support the issuance of internationalization bonds	-	-
Minus: NPL to be deducted in the calculation of the issuance limit, according to article 13 del Royal Decree 579/2014	1	1
Total loans included in the base of all issuance limit	**3,677**	**3,620**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)	Nominal value June 2020	Nominal value December 2019
(1) Debt certificates issued through public offer (a)	**1,500**	**1,500**
Of which: Treasury shares	*1,500*	*1,500*
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	1,500	1,500
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt certificates issued without public offer (a)	-	-
Of which: Treasury shares	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(3) Deposits (b)	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**

	Percentage	Percentage
Coverage ratio of internationalization covered bonds on loans (c)	**41%**	**41%**

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

June 2020. Loans that serve as collateral for the territorial bonds (Millions of Euros)

	Nominal Value(a)		
	Total	**Spanish residents**	**Residents in other countries of the European Economic Area**
Central governments	1,273	1,154	119
Regional governments	8,095	8,066	29
Local governments	4,222	4,222	-
Total loans	**13,590**	**13,442**	**148**

(a) Principal pending payment of loans,

December 2019. Loans that serve as collateral for the territorial bonds (Millions of Euros)

	Nominal value (a)		
	Total	**Spanish residents**	**Residents in other countries of the European Economic Area**
Central governments	1,473	1,345	128
Regional governments	7,691	7,662	29
Local governments	4,151	4,151	-
Total loans	**13,315**	**13,158**	**157**

(a) Principal pending payment of loans.

d.2) Liabilities operations

Territorial bonds (Millions of Euros)

	Nominal value June 2020	**Nominal value December 2019**
Territorial bonds issued (a)	**8,040**	**8,040**
Issued through a public offering	8,040	8,040
Of which: Treasury stock	*7,540*	*7,540*
Residual maturity up to 1 year	3,000	4,500
Residual maturity over 1 year and less than 2 years	2,840	2,000
Residual maturity over 2 years and less than 3 years	-	840
Residual maturity over 3 years and less than 5 years	2,200	700
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
Other issuances	-	-
Of which: Treasury stock	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
	Percentage	**Percentage**
Coverage ratio of the territorial bonds on loans (b)	**59%**	**60%**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Note 13.2, 21.4 and 49.2 of the consolidated Financial Statements for the six months ended June 30, 2020.

APPENDIX III. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of June 30, 2020 and December 31, 2019, is as follows:

June 2020 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	74	86	63	62	47	-	(10)
Other financial corporations and individual entrepreneurs (financial business)	425	10	32	4	3	-	(5)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	65,608	5,437	12,519	3,399	1,854	68	(3,297)
Of which: financing the construction and property (including land)	*617*	*570*	*1,163*	*702*	*388*	*7*	*(468)*
Rest homes (*)	201,229	1,746	75,260	6,024	4,349	84	(1,765)
Total	**267,336**	**7,279**	**87,874**	**9,489**	**6,253**	**152**	**(5,078)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	43	38	29	20	16	-	(7)
Other financial corporations and individual entrepreneurs (financial business)	270	5	18	2	1	-	(4)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39,407	3,072	7,644	2,284	952	47	(2,856)
Of which: financing the construction and property (including land)	*496*	*245*	*707*	*482*	*216*	-	*(368)*
Rest homes (*)	100,651	710	34,975	2,879	1,860	12	(1,379)
Total	**140,371**	**3,824**	**42,666**	**5,185**	**2,829**	**59**	**(4,246)**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €831 million of collective loss allowances and €4,236 million of specific loss allowances.

DECEMBER 2019 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	73	93	64	64	49	-	(11)
Other financial corporations and individual entrepreneurs (financial business)	387	8	62	4	3	-	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	68,121	5,085	18,283	3,646	1,810	178	(3,252)
Of which: financing the construction and property (including land)	*1,131*	*400*	*1,314*	*688*	*393*	*32*	*(428)*
Rest homes (*)	173,403	1,510	67,513	5,827	4,414	33	(1,519)
Total	**241,984**	**6,696**	**85,922**	**9,541**	**6,276**	**211**	**(4,788)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	45	41	30	21	16	-	(7)
Other financial corporations and individual entrepreneurs (financial business)	241	6	30	2	1	-	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39,380	3,148	11,706	2,466	1,020	50	(2,923)
Of which: financing the construction and property (including land)	*819*	*321*	*790*	*445*	*210*	*4*	*(392)*
Rest homes (*)	96,429	758	34,463	2,908	2,006	17	(1,229)
Total	**136,095**	**3,954**	**46,229**	**5,396**	**3,044**	**67**	**(4,164)**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €624 million of collective loss allowances and €4,164 million of specific loss allowances.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of June 30, 2020 and December 31, 2019:

Forbearance operations. Breakdown by segments (Millions of Euros)

	June 2020	December 2019
Credit institutions	-	-
Central governments	138	147
Other financial corporations and individual entrepreneurs (financial activity)	9	6
Non-financial corporations and individual entrepreneurs (non-financial activity)	5,539	5,479
Of which: Financing the construction and property development (including land)	*805*	*660*
Households	6,004	5,818
Total carrying amount	**11,690**	**11,450**

NPL ratio by type of renegotiated loan

The non-performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

As of June 30, 2020 and December 31, 2019, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

Ratio of Impaired loans - Past due

	June 2020	December 2019
General governments	39%	39%
Commercial	61%	64%
Of which: Construction and property development (including land)	*57%*	*70%*
Other consumer	46%	50%

b) Qualitative information on the concentration of risk by activity and guarantees

June 2020 – Loans to customers by activity (carrying amount) (Millions of Euros)

				Collateralized loans - Loans to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
General governments	27,288	953	4,990	979	729	859	3,077	299
Other financial institutions	21,014	312	11,639	432	1,389	3,876	5,905	349
Non-financial institutions and individual entrepreneurs	186,831	33,153	16,969	12,437	14,082	10,518	5,222	7,863
Construction and property development	14,253	10,344	1,623	2,734	5,192	3,109	367	565
Construction of civil works	7,677	704	447	390	222	119	88	332
Other purposes	164,901	22,105	14,899	9,313	8,668	7,290	4,767	6,966
Large companies	108,357	9,881	11,755	5,196	4,595	4,506	2,950	4,389
SMEs (**) and individual entrepreneurs	56,544	12,224	3,144	4,117	4,073	2,784	1,817	2,577
Rest of households and NPISHs (***)	159,015	104,166	4,411	22,568	26,929	31,898	19,110	8,072
Housing	107,776	102,423	2,243	21,599	26,403	31,428	17,602	7,634
Consumption	42,645	484	1,730	407	254	152	1,247	154
Other purposes	8,594	1,259	438	562	272	318	261	284
TOTAL	**394,148**	**138,584**	**38,009**	**36,416**	**43,129**	**47,151**	**33,314**	**16,583**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,690*	*7,156*	*190*	*1,449*	*1,460*	*1,573*	*1,265*	*1,599*

(*) The amounts included in this table are net of loss allowances.
(**) Small and medium enterprises.
(***) Non-profit institutions serving households.
(****) Net of provisions.

December 2019 – Loans and advances to customers by activity (carrying amount) (Millions of Euros)

				Collateralized loans- Loans to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
General governments	29,257	1,067	10,886	4,914	1,510	1,077	3,651	801
Other financial institutions	23,114	281	13,699	1,856	219	103	11,688	115
Non-financial institutions and individual entrepreneurs	176,474	26,608	30,313	22,901	10,082	8,478	5,270	10,190
Construction and property development	15,171	4,497	2,114	2,313	1,765	1,476	457	600
Construction of civil works	7,146	756	468	499	248	152	106	219
Other purposes	154,157	21,355	27,731	20,089	8,069	6,850	4,707	9,371
Large companies	104,661	8,665	19,058	12,647	3,620	3,828	2,727	4,901
SMEs (**) and individual entrepreneurs	49,496	12,690	8,673	7,442	4,449	3,022	1,980	4,470
Rest of households and NPISHs (***)	167,117	108,031	5,582	23,057	27,714	32,625	20,529	9,688
Housing	110,178	104,796	2,332	20,831	26,639	31,707	18,701	9,250
Consumption	46,356	507	2,075	450	316	174	1,502	140
Other purposes	10,583	2,728	1,175	1,776	759	744	326	298
TOTAL	**395,962**	**135,987**	**60,480**	**52,728**	**39,525**	**42,283**	**41,138**	**20,794**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,450*	*7,396*	*256*	*1,547*	*1,427*	*1,572*	*1,247*	*1,859*

(*) The amounts included in this table are net of loss allowances.
(**) Small and medium enterprises.
(***) Non-profit institutions serving households.
(****) Net of provisions.

c) Information on the concentration of risk by activity and geographical area

June 2020 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	153,008	43,317	32,695	48,761	28,235
General governments	143,603	65,118	12,903	53,724	11,858
Central Administration	104,712	48,642	12,563	31,921	11,586
Other	38,891	16,476	340	21,803	272
Other financial institutions	54,666	16,118	12,571	18,172	7,805
Non-financial institutions and individual entrepreneurs	243,525	75,102	24,076	97,039	47,308
Construction and property development	17,881	3,602	105	11,776	2,398
Construction of civil works	11,089	5,475	1,493	1,437	2,684
Other purposes	214,555	66,025	22,478	83,826	42,226
Large companies	152,516	39,983	21,671	62,039	28,823
SMEs and individual entrepreneurs	62,039	26,042	807	21,787	13,403
Other households and NPISHs	159,731	90,439	2,859	55,535	10,898
Housing	107,776	74,162	1,806	28,760	3,048
Consumer	42,646	11,788	686	22,631	7,541
Other purposes	9,309	4,489	367	4,144	309
TOTAL	754,533	290,094	85,104	273,231	106,104

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given and contingent risks". The amounts included in this table are net of loss allowances.

December 2019 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	109,471	23,127	40,332	31,851	14,161
General governments	134,929	56,478	9,861	57,174	11,416
Central Administration	96,639	39,573	9,505	36,287	11,274
Other	38,290	16,905	356	20,887	142
Other financial institutions	52,406	13,822	19,828	15,749	3,007
Non-financial institutions and individual entrepreneurs	232,034	70,762	25,963	92,198	43,111
Construction and property development	18,915	3,538	361	11,688	3,328
Construction of civil works	10,607	5,403	1,303	1,431	2,470
Other purposes	202,512	61,821	24,299	79,079	37,313
Large companies	147,643	37,402	23,310	61,858	25,073
SMEs and individual entrepreneurs	54,869	24,419	989	17,221	12,240
Other households and NPISHs	167,379	90,829	3,180	62,098	11,272
Housing	110,178	75,754	725	30,557	3,142
Consumer	46,358	11,954	675	25,897	7,832
Other purposes	10,843	3,121	1,780	5,644	298
TOTAL	696,219	255,018	99,165	259,070	82,967

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given and contingent risks". The amounts included in this table are net of loss allowances.

This appendix is an integral part of the Note 6.2 of the consolidated Financial Statement corresponding to the period from January 1 to June 30, 2020.

APPENDIX IV. Additional information on risk concentration

Quantitative information on activities in the real-estate market in Spain

The following quantitative information on real-estate activities in Spain has been prepared using the reporting models required by Bank of Spain Circular 5/2011, of November 30.

Lending for real estate development of the loans as of June 30, 2020, and December 31, 2019 is shown below:

June 2020. Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	Gross amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,717**	**701**	**(311)**
Of which: Impaired assets	*552*	*271*	*(264)*
Memorandum item:			
Write-offs	*2,253*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	*193,056*		
Total consolidated assets (total business) (book value)	*753,824*		
Impairment and provisions for normal exposures	*(5,957)*		

December 2019. Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	Gross amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,649**	**688**	**(286)**
Of which: Impaired assets	*567*	*271*	*(252)*
Memorandum item:			
Write-offs	*2,265*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*185,893*		
Total consolidated assets (total business)	*698,690*		
Impairment and provisions for normal exposures	*(4,934)*		

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	June 2020	December 2019
Without secured loan	**372**	**298**
With secured loan	**2,345**	**2,351**
Terminated buildings	1,371	1,461
Homes	1,029	1,088
Other	342	373
Buildings under construction	647	545
Homes	404	348
Other	243	197
Land	328	345
Urbanized land	223	240
Rest of land	104	105
Total	**2,717**	**2,649**

The table below provides the breakdown of the financial guarantees given as of June 30, 2020 and December 31, 2019:

Financial guarantees given (Millions of Euros)

	June 2020	December 2019
Financial guarantees given in relation to construction and real estate development	59	44
Amount recognized on the liabilities of the balance sheets	4	5

The information on the retail mortgage portfolio risk (housing mortgage) as of June 30, 2020 and December 31, 2019 is as follows:

June 2020. Financing allocated by credit institutions to construction and real estate development and lending for house purchase. (Millions of Euros)

	Gross amount	*Of which: impaired loans*
Houses purchase loans	75,534	*2,961*
Without mortgage	1,661	*25*
With mortgage	73,873	*2,936*

December 2019. Financing allocated by credit institutions to construction and real estate development and lending for house purchase. (Millions of euros)

	Gross amount	*Of which: impaired loans*
Houses purchase loans	76,961	2,943
Without mortgage	1,672	22
With mortgage	75,289	2,921

The loan to value (LTV) ratio of the above portfolio is as follows:

Total risk over the amount of the last valuation available (Loan To Value) (*)

	Total risk over the amount of the last valuation available (Loan To Value)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount. June 2020	15,233	19,350	20,517	11,282	7,491	73,873
of which: Impaired loans	*188*	*332*	*505*	*534*	*1,377*	*2,936*
Gross amount. December 2019	15,105	19,453	20,424	11,827	8,480	75,289
of which: Impaired loans	*182*	*313*	*506*	*544*	*1,376*	*2,921*

(*) The LTV is calculated based on the last available appraisal of the property or valuation of the real estate guarantee. Taking into account only the last available appraisal, as of June 30, 2020, the percentage of mortgage operations with LTV> 80% would be 11%.

Outstanding home mortgage loans as of June 30, 2020 and December 31, 2019 had an average LTV of 47%.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	June 2020			
	Gross Value	**Valuation adjustments on impaired assets**	***Of which: Valuation adjustments on impaired assets, from the time of foreclosure***	**Carrying amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**987**	**(514)**	***(238)***	**473**
Terminated buildings	361	(149)	*(58)*	212
Homes	206	(79)	*(32)*	127
Other	155	(70)	*(26)*	85
Buildings under construction	66	(27)	*(11)*	39
Homes	65	(26)	*(11)*	39
Other	1	(1)	-	-
Land	560	(338)	*(169)*	222
Urbanized land	517	(317)	*(152)*	200
Rest of land	43	(21)	*(17)*	22
Real estate assets from mortgage financing for households for the purchase of a home	**1,163**	**(622)**	***(169)***	**541**
Rest of foreclosed real estate assets	**471**	**(249)**	***(41)***	**222**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,344**	**(351)**	***(313)***	**993**
Total	**3,965**	**(1,736)**	***(761)***	**2,229**

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)				
	December 2019			
	Gross Value	Valuation adjustments on impaired assets	*Of which: Valuation adjustments on impaired assets, from the time of foreclosure*	Carrying amount
Real estate assets from loans to the construction and real estate development sectors in Spain	**1,048**	**(555)**	***(266)***	**493**
Terminated buildings	378	(150)	*(58)*	228
Homes	221	(81)	*(33)*	140
Other	157	(69)	*(25)*	88
Buildings under construction	79	(44)	*(24)*	35
Homes	78	(43)	*(24)*	35
Other	1	(1)	-	-
Land	591	(361)	*(184)*	230
Urbanized land	547	(338)	*(167)*	209
Rest of land	44	(23)	*(17)*	21
Real estate assets from mortgage financing for households for the purchase of a home	**1,192**	**(612)**	***(153)***	**580**
Rest of foreclosed real estate assets	**451**	**(233)**	***(37)***	**218**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,380**	**(293)**	***(255)***	**1,087**
Total	**4,071**	**(1,693)**	***(711)***	**2,378**

APPENDIX V. Consolidated income statements for the six months ended June 30, 2020 and 2019 and for the second quarter of 2020 and 2019

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	June 2020	June 2019	2nd Quarter 2020	2nd Quarter 2019
Interest and other income	13,228	15,633	6,080	7,889
Interest expense	(4,574)	(6,691)	(1,983)	(3,346)
NET INTEREST INCOME	**8,653**	**8,941**	**4,097**	**4,544**
Dividend income	77	103	71	92
Share of profit or loss of entities accounted for using the equity method	(17)	(19)	(9)	(15)
Fee and commission income	3,325	3,661	1,475	1,881
Fee and commission expense	(1,024)	(1,191)	(432)	(625)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	229	67	140	22
Gains (losses) on financial assets and liabilities held for trading, net	187	173	186	56
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	129	98	113	(5)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	205	(3)	(32)	(53)
Gains (losses) from hedge accounting, net	41	73	19	41
Exchange differences, net	316	134	87	56
Other operating income	230	337	92	133
Other operating expense	(848)	(995)	(479)	(519)
Income from insurance and reinsurance contracts	1,307	1,547	525	708
Expense from insurance and reinsurance contracts	(765)	(983)	(290)	(417)
GROSS INCOME	**12,045**	**11,944**	**5,561**	**5,897**
Administration costs	(4,746)	(5,084)	(2,226)	(2,554)
Personnel expense	(2,875)	(3,131)	(1,342)	(1,578)
Other administrative expense	(1,872)	(1,953)	(884)	(976)
Depreciation and amortization	(766)	(790)	(369)	(398)
Provisions or reversal of provisions	(541)	(261)	(228)	(117)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(4,146)	(1,731)	(1,571)	(731)
Financial assets measured at amortized cost	(4,075)	(1,727)	(1,544)	(730)
Financial assets at fair value through other comprehensive income	(71)	(5)	(27)	(1)
NET OPERATING INCOME	**1,846**	**4,077**	**1,168**	**2,098**
Impairment or reversal of impairment of investments in joint ventures and associates	(60)	-	(61)	-
Impairment or reversal of impairment on non-financial assets	(2,149)	(44)	(43)	(12)
Tangible assets	(62)	(30)	(36)	(5)
Intangible assets	(2,087)	(1)	(3)	(1)
Other assets	-	(13)	(4)	(5)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	4	8	3	6
Negative goodwill recognized in profit or loss	-	-	-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(9)	11	-	3
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(368)**	**4,052**	**1,066**	**2,095**
Tax expense or income related to profit or loss from continuing operations	(455)	(1,136)	(269)	(595)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**(823)**	**2,916**	**798**	**1,500**
Profit (loss) after tax from discontinued operations	-	-	-	-
PROFIT FOR THE PERIOD	**(823)**	**2,916**	**798**	**1,500**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**333**	**475**	**162**	**241**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(1,157)**	**2,442**	**636**	**1,260**

BBVA
Creating Opportunities

Interim consolidated management report

First semester of the year 2020

Contents

BBVA Group main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)	30-06-20	Δ %	30-06-19	31-12-19
Balance sheet (millions of euros)				
Total assets	753,824	8.1	697,626	698,690
Loans and advances to customers (gross)	400,764	2.9	389,306	394,763
Deposits from customers	402,184	7.2	375,104	384,219
Total customer funds	502,997	5.0	478,872	492,022
Total equity	49,555	(9.4)	54,690	54,925
Income statement (millions of euros)				
Net interest income	8,653	(3.2)	8,941	18,124
Gross income	12,045	0.8	11,944	24,463
Operating income	6,533	7.6	6,069	12,561
Net attributable profit/(loss)	(1,157)	n.s.	2,442	3,512
Adjusted net attributable profit or (loss) (1)	928	(62.0)	2,442	4,830
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,668
Share price (euros)	3.06	(37.7)	4.92	4.98
Earning per share (euros) (2)	(0.20)	n.s.	0.34	0.47
Adjusted earning per share (euros) (1) (2)	0.11	(67.6)	0.34	0.66
Book value per share (euros)	6.57	(10.5)	7.34	7.32
Tangible book value per share (euros)	5.87	(3.8)	6.10	6.27
Market capitalization (millions of euros)	20,430	(37.7)	32,786	33,226
Yield (dividend/price; %) (3)	8.5		5.3	5.2
Significant ratios (%)				
ROE (net attributable profit or (loss)/average shareholders' funds +/- average accumulated other comprehensive income) (1)	4.1		10.2	9.9
ROTE (net attributable profit or (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (1)	4.6		12.4	11.9
ROA (Profit or (loss) for the year/average total assets) (1)	0.35		0.86	0.82
RORWA (Profit or (loss) for the year/average risk-weighted assets - RWA) (1)	0.69		1.65	1.57
Efficiency ratio	45.8		49.2	48.7
Cost of risk	2.04		0.89	1.02
NPL ratio	3.7		3.8	3.8
NPL coverage ratio	85		75	77
Capital adequacy ratios (%)				
CET1 fully-loaded	11.22		11.52	11.74
CET1 phased-in (4)	11.63		11.76	11.98
Total ratio phased-in (4)	15.89		15.81	15.92
Other information				
Number of customers (million)	79.1	4.2	75.9	77.9
Number of shareholders	891,944	0.4	888,559	874,148
Number of employees	125,041	(0.8)	126,017	126,973
Number of branches	7,699	(1.6)	7,823	7,744
Number of ATMs	32,310	(1.0)	32,648	32,658

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the quarterly information of the 2019 income statements has been restated.

(1) As of 30-06-2020 and 31-12-2019, the goodwill impairment in the United States for an amount of 2,084 and 1,318 millions of euros, which was recognized as of 31-03-2020 and 31-12-2019, respectively, is excluded.

(2) Adjusted by additional Tier 1 instrument remuneration.

(3) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

(4) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis amendments of the Capital Requirements Regulation (CRR), introduced by the Regulation (EU) 2020/873.

Highlights

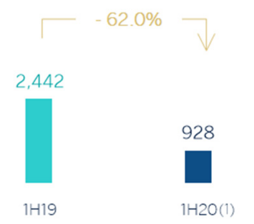
COVID-19 pandemic

- The appearance of the COVID-19 virus in China and its global expansion to a large number of countries, has caused the viral outbreak to be classified as a global pandemic by the World Health Organization since March 11, 2020. The **global economy** is being strongly affected by the pandemic, which is gradually affecting the economies of all the countries in which the BBVA Group is present, mainly due to confinement measures that restrict activity and a drop in confidence from consumers and businesses. Although the situation seems to have eased in many of the countries of East Asia and Europe, which have begun to revitalize their economies again, much of the American continent is still in a phase of viral expansion. The governments of the different countries in which the Group operates have adopted different measures that have conditioned the evolution of the first half of 2020 as explained later.

Results

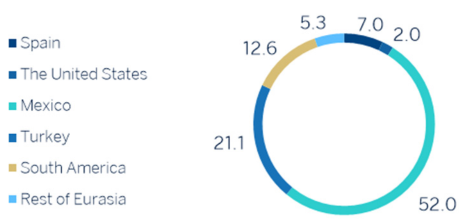
- Growth in **operating income** of 7.6% in the first six months (up 19.2% at constant exchange rates) driven by the **net trading income** (NTI) and a significant reduction in operating expenses, as a result of containment plans and the lower expenses derived from the lockdown. The result of the above was a significant improvement in the **efficiency ratio**.
- **Impairment on financial assets** increased mainly due to the deterioration of the macroeconomic scenario, resulting mostly from the impacts of COVID-19.
- As a result of the valuation of the **goodwill** of its subsidiaries, the Group estimated that there was an **impairment in the United States**, which was recorded under the heading "**Other results**" of the consolidated income statement as of March 31, 2020. This impairment represented an impact of -€2,084m in the net attributable profit and is mainly due to the negative impact from the updating of the macroeconomic scenario affected by the COVID-19 pandemic. This impact does not affect the tangible net equity, capital, or liquidity of the BBVA Group.
- Finally, the cumulative **net attributable loss** as of the close of June 2020 was -€1,157m. If the goodwill impairment in the United States is excluded from the year-on-year comparison, the Group's net attributable profit, compared to the same period of 2019, fell by 62.0% in the first half of 2020, to stand at €928m. In the second quarter of the year, net attributable profit, excluding the goodwill impairment in the United States, was €636m (up 118.0% quarter-on-quarter).

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



(1) Excluding the goodwill impairment in the United States.

NET ATTRIBUTABLE PROFIT BREAKDOWN (1)
(PERCENTAGE. 1H20)



(1) Excludes the Corporate Center.

Balance sheet and business activity

- The figure for **loans and advances to customers** (gross) was 1.5% higher compared to December 31, 2019, thanks to the government support programs to boost the financing of the real economy implemented in the different geographical areas.
- **Customer funds** grew by 2.2% in the half year, as a result of customers placing the larger liquidity provisions in the bank.

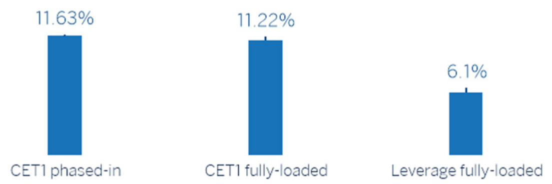
Liquidity

- The availability of substantial **liquidity** buffers in each of the geographical areas in which the BBVA Group operates and their management have allowed internal and regulatory ratios to be maintained well above the minimums required.

Solvency

- The BBVA Group has set the objective to maintain a buffer on its fully-loaded CET1 ratio requirement (currently, at 8.59%) between 225 and 275 basis points. As of June 30, 2020, the **CET1 fully-loaded** ratio stood at 11.22%, in the upper part of the target management buffer.

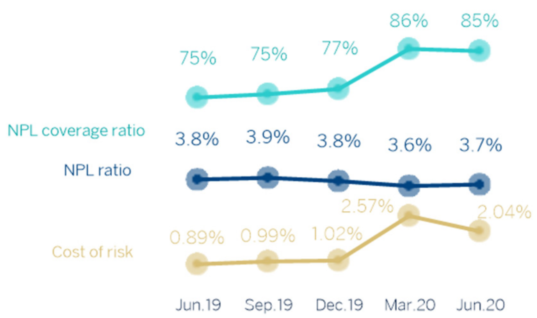
CAPITAL AND LEVERAGE RATIOS AND COST OF RISK (PERCENTAGE AS OF 30-06-20)



Risk management

- The calculation of **expected credit losses** at the end of the first half of 2020 incorporates:
  - The update of the **forward looking** information in the IFRS 9 models in order to reflect the circumstances created by the COVID-19 pandemic in the macroeconomic environment, which is characterized by a high degree of uncertainty regarding its intensity, duration and speed of recovery.
  - The granting of relief measures in the form of temporary payment deferrals for customers affected by the pandemic, as well as the option to grant lending with a **public guarantee** facility.

NPL AND NPL COVERAGE RATIOS AND COST OF RISK (PERCENTAGE)



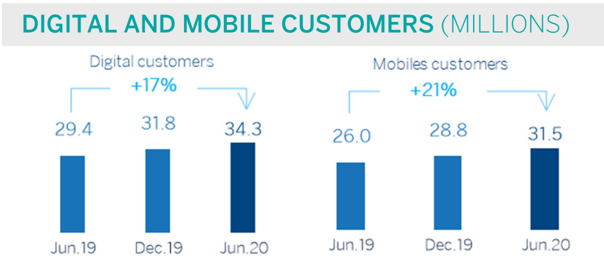
Purpose, values and strategy

BBVA's Purpose, to bring the age of opportunity to everyone, is more relevant than ever, as are our values: customer comes first, we think big and we are one team. This crisis has revealed the correct decision to opt for digitization, which has allowed the Bank to be closer to customers when they have needed it most, and reinforces our strategy. Therefore, our priorities remain unchanged; improve the financial health of customers, help them in the transition to a sustainable future, to grow in customers, seeking operational excellence and having the best and most committed team and the use of technology and data, will continue to be so the pillars on which the Group's strategy is based.

Security, business continuity and support measures taken by BBVA

From the outset, BBVA has adopted a series of measures to support its main stakeholders. The main **business continuity** measures taken are:

- In order to serve **customers**, and since financial services are legally considered an essential service in most of the countries in which the Group operates, the **branch network remained operational**, with dynamic management of the network and with information about branches and opening times on the website. In addition, the recommendation was for customers to operate through the **digital channels** and their remote agents, with the aim of minimizing the staff needed to serve customers in the branches, trying to reduce the risk of contagion and protect the health of its employees, customers and society in general. The data indicates that the COVID-19 crisis is accelerating digitization: At Group level, during the month of June 2020, digital sales (measured in units) rose sharply to 63.2% of the total, compared to 59.9% in February. Also at the end of June, BBVA's digital customers accounted for 60% of the total and customers operating with the bank through their cell phones accounted for 56% across the entire Group.



- With **employees**, the measures established by the health authorities have been implemented, including taking an early stance on promoting working from home. The priority in BBVA's **return plan** is the health and safety of its employees, their families and its customers, as well as ensuring business continuity, always following the recommendations of the health authorities. This return plan will be dynamic and adapted to the situation in each geographical area, and will be modulated on the basis of the data available at each moment on the evolution of the pandemic, the evolution of the business and the service to the customers.

Other **support and responsibility** measures taken are the following:

- The banks are a key part of the solution to the COVID-19 crisis. Specifically, BBVA has activated **support initiatives** with a focus on the most affected **customers**, regardless of whether they are companies, SMEs, self-employed workers or private individuals. The following are just some of those initiatives:
  - In **Spain**, support for SMEs, the self-employed and companies through lines of credit and lines guaranteed by the ICO, advance payment of pensions and unemployment benefits to its customers, ICO-backed loans for rent payments, and the deferral of both insurance and credit card payments and grace periods on loans to affected individuals or companies.
  - In the **United States**, flexibility in the repayment of loans for small business and for consumer finance, elimination of some fees and commissions for individual customers and the development of an online application that allowed companies benefiting from the Paycheck Protection Program (PPP) to apply for assistance just three days after the launch of the program;
  - In **Mexico**, a repayment deferment on various credit products, fixed payment plan to reduce monthly credit card charges and suspension of Point of Sale (POS) fees to support retailers with lower turnover, as well as different support plans aimed at each situation for larger business customers;
  - In **Turkey**, delay of loan repayments, interests and amortizations;
  - In **South America**, some countries such as **Argentina** have given micro-SMEs and SMEs access to credit facilities to purchase teleworking equipment and funding facilities for the payment of salaries; **Colombia** has frozen the repayment of loans for individuals and companies for up to six months, and is offering a special working capital facility for companies; and in **Peru**, several measures were approved to support the SMEs and customers with consumer loans or credit cards.
- To support **society** in this fight against the COVID-19 pandemic, BBVA has donated €35m to purchase medical supplies, support vulnerable groups and promote research.

Pronouncements of regulatory bodies and supervisors

- With the aim of **mitigating** the impact of COVID-19, various European and international bodies have made pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks. The BBVA Group has taken these pronouncements into consideration when preparing this report.
- With regard to the **payment of dividends**, on March 27 the European Central Bank recommended that, until at least October 1, 2020, credit institutions should refrain from distributing dividends or making irrevocable commitments to distribute them, and from repurchasing shares to remunerate shareholders. Consequently, the BBVA Board of Directors has agreed to amend, for the 2020 financial year, the Group's shareholder remuneration policy, which was announced by means of a material fact notification on February 1, 2017. The new policy for 2020 has been established as not making any dividend payments for the 2020 financial year until the uncertainties caused by COVID-19 disappear and, in any case, not before the end of the financial year.
- In terms of **solvency**, the European Parliament and the European Council adopted Regulation 2020/873 (known as the "CRR Quick Fix"), which amends both Regulation (EU) 575/2013 (Capital Requirement Regulation (CRR)) and Regulation 2019/876 (Capital Requirement Regulation 2 (CRR2)), which will apply from June 27, 2020. Its main impacts on the BBVA Group at the end of the first half involve the extension of the transitional treatment of IFRS 9 (only affects the phased-in ratios) and the bringing forward of the application of the SME and infrastructure support factor.

Group information

Macro and industry trends

The **Global economy** is being severely affected by the COVID-19 pandemic, which has spread to most countries around the world and is affecting their economies in stages due to the lockdown measures, that restrict business, and impact consumer and business confidence. Although many countries in East Asia and Europe now seem to be over the worst of the pandemic and have reopened their economies, it is still spreading in much of the American continent. Governments and central banks have generally implemented fiscal and monetary stimulus measures, which are helping to mitigate the economic impact, but this will not prevent the global economy from entering in a recession throughout the year.

During the second quarter of 2020, the **financial markets** have generally remained stable due to the actions of the central banks in the developed countries (announcements of asset purchases, lending facilities, interest rate reductions) and various fiscal stimulus packages announced by governments. In addition, the relaxing of the lockdown taking place in most countries and the corresponding upturn in economic activity have contributed to improving economic confidence and activity. With respect to the latter, the indicators generally show that the contraction until April was sharper than expected, but that the improvement since May has been robust and relatively widespread, especially in the developed economies where support through the policies has been more significant and effective.

In terms of **global growth**, BBVA Research expects a V-shaped recovery in economic activity, although without reaching pre-crisis GDP levels. This recovery will be slower than expected and will vary across the different regions. BBVA Research's baseline scenario is based on the assumption that there will be further waves of infections until a vaccine or treatment for COVID-19 becomes available, without it resulting in strict lockdown measures. As a result, growth forecasts have been revised downward in 2020 and upward in 2021, with a higher cumulative loss of GDP over the two-year period, especially in emerging countries. More specifically, BBVA Research has adjusted its global growth forecast from -2.4% to around -3.1% in 2020 and from 4.8% to 5.1% in 2021. However, one should keep in mind that epidemiological, economic, financial and geopolitical factors will lead to uncertainty remaining at exceptionally high levels and this will be a source of risk to economic forecasts.

With regard to the **banking system**, in an environment in which much of the economic activity has been at a stand still for several months, banking services have played an essential role, fundamentally for two reasons: first, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; second, the granting of new lending or the renewal of existing lending has reduced the impact of the economic slowdown on households and business incomes. In the current situation, it is very important to ensure that the temporary liquidity problems faced by companies do not become solvency problems, thus jeopardizing their survival and the jobs they create. As a result, the support provided by the banks during the months of lockdown and the public guarantees have been essential, as the banks have been the only source of financing for most of the companies.

Although in terms of **profitability**, European and Spanish banks are still far from the levels seen before the crisis, due mainly to their accumulation of capital and the low interest rate environment we have been experiencing for some time now, the financial institutions are facing this challenge from a healthy position since their solvency has been constantly improving since the 2008 crisis, with increased capital and liquidity buffers and therefore a greater capacity to lend.

Europe

In Europe, fiscal stimulus packages continue to be implemented by all the relevant European authorities, the European Union (EU) and the Member states. There are two broad sets of measures: lending guarantees and new fiscal stimulus. On average, the fiscal stimulus, plus the liquidity facilities, could represent about 20% of EU GDP. Most importantly is the approval of the **recovery fund** ("Next Generation EU") approved by the EU with an endowment of €750,000m (5.4% of EU GDP) to support the recovery in the coming years after COVID-19 through the promotion of investment and the implementation of structural reforms. For its part, the European Central Bank (ECB) has continued to expand its balance sheet, consolidating a strong increase in liquidity (TLTRO III), and has ensured the correct transmission of monetary policy in the Eurozone by increasing the special quantitative easing program, the Pandemic Emergency Purchase Program (PEPP), by an additional €600,000m, up to €1.35 trillion. In terms of growth, the longer lockdown period, together with a gradual relaxing of such measures, have led BBVA Research to revise **growth** in the Eurozone downward to -8.5% in 2020, with a range between -7% and -11%, driven by the collapse of both private consumption and investment in a context of falling global demand. Accommodative economic policies should avoid more persistent negative effects and underpin a partial recovery in 2021 (up 5.8%, with a range between 3.5% and 7.5%), with GDP at the end of the biennium 2020–21 being around 2% below the level seen in the fourth quarter of 2019.

Spain

In terms of **growth**, according to BBVA Research estimates, Spanish GDP could contract by 11.5% in 2020 (with a range between -10% and -15%) and grow by 7% in 2021 (with a range between 3% and 9%). The lockdown and social distancing measures implemented have lasted longer than expected, and the impact on economic activity has been significant and greater than originally estimated. Thus, while the easing of restrictions has led to a sharp recovery in the economy since May, the cumulative decline in activity levels between the end of 2019 and the end of the first half of 2020 could exceed 20%. However, these growth forecasts remain subject to a high degree of uncertainty. First, because they depend to a large extent on the global evolution of the pandemic, which will determine global demand and consumption and investment decisions. Second, because while the temporary effects of the extraordinary economic policy measures adopted so far are clearly positive, there is also uncertainty about their effectiveness.

In regards the **banking system**, according to Bank of Spain data, the total volume of lending to the private sector recovered slightly in May 2020 (up 2.0% year-on-year) as a result of the growth of new business lending transactions since mid-March, within the framework of the public guarantee programs launched by the government to deal with COVID-19. Asset quality indicators have improved slightly (the NPL ratio was 4.73% in May 2020). Profitability turned negative in the first quarter of 2020 due to the significant impact of the increase in provisions as a result of the coronavirus crisis and the extraordinary negative results in the quarter. In addition, the low interest rate environment keeps profitability under pressure. The Spanish institutions maintain comfortable levels of capital adequacy and liquidity.

The United States

The consequences of coronavirus are resulting in a number of strong supply and demand shocks in the economy of the United States. In principle, the direct economic impact should be large, but temporary. However, the side effects of the financial shock and the fall in activity on the real economy could have deeper consequences and entail a slower recovery. Moreover, limited data availability, financial-market volatility, and unprecedented economic and monetary policy responses imply heightened uncertainty about the economic outlook over the coming quarters. According to BBVA Research forecasts, **GDP** will fall by about 5.1% in 2020 (with a range between -4% and -7%) and increase by around 3.5% in 2021 (with a range between 2% and 5%). The United States government has launched a strong fiscal stimulus (around 18% of GDP) that entails a substantial increase in the deficit and government debt. In addition, the Fed is expected to hold rates around 0% until at least the end of 2021 and remain willing to take additional measures, if necessary, to support liquidity and asset purchases.

In the **banking system** as a whole, the most recent activity data provided by the Fed (June 2020) show the effects of the programs launched to deal with the coronavirus, with year-on-year lending and deposit growth rates for the system at 8.7% and 21.4% respectively. NPLs remain under control, with the NPL ratio standing at 1.52% in the first quarter of 2020.

Mexico

According to BBVA Research forecasts, a sharp contraction is expected as a result of the COVID-19 crisis and a slow recovery afterwards, in a context of weak investment. The BBVA Research GDP **growth forecast** is for a fall of 10% in 2020, with a range between -12% to -9%, and a partial recovery in 2021 with a growth of 3.7% (in the range of 2% to 4.5%). Recovery will be slow and not without risks. The crisis will have severely affected employment and household income; nearly one million formal jobs have been lost in the first half of 2020, implying a significant decline in private consumption. A 20.5% contraction in investment is also forecasted for 2020. The United States-Mexico-Canada Agreement (USMCA) entered into force on July 1st. This new treaty represents a significant medium-term opportunity for Mexico to attract foreign investment flows and develop local supply chains. In the context of the sharp fall in GDP, BBVA Research estimates that inflation will remain under control, paving the way for Banxico to continue to reduce benchmark interest rates, which could be at around 3% by the end of the year, down from their current level of 5%.

The **banking system** continues to grow year-on-year. According to CNBV data as of May 2020, lending and deposits grew by 7.7% and 13.8% year-on-year respectively, with increases in all portfolios. The NPL ratio remained under control (2.41% in May 2020, compared to 2.16% 12 months earlier) and capital indicators were comfortable.

Turkey

As for Turkey, BBVA Research expects **GDP** to remain stable in 2020 (growth 0%), and then increase by 5.0% in 2021. The Turkish economy grew at an annual rate of 4.5% in the first quarter of 2020 and is estimated to contract 7.1% in the second quarter. However, BBVA Research considers that the expansionary fiscal and monetary policies, as well as the support measures and the acceleration of lending growth, coupled with the expectation of the relative normalization of international activity, will have a positive effect on economic activity in the second half of the year. This will not, however, be free from risks, so the estimated forecast range is between -3% and 1%. The central bank cut interest rates to 8.25% at the May meeting due to the easing of the monetary policies in the advanced economies and the increase in downside risks for economic activity, and retained the investment support measures in certain sectors. BBVA Research estimates that the benchmark rate will remain at 8.25% for the rest of the year. For its part, this pressure on the Turkish lira began to diminish with some normalization of the world economy following the measures taken as a result of the pandemic.

With data as of May 2020, the total volume of lending in the **banking system** increased by 24.1% year-on-year (up 33.8% in Turkish lira and 10.0% in foreign currency). These growth rates include the effect of inflation, which was 11.4% year-on-year as of May 2020. The NPL ratio stood at 4.54% at the close of May 2020.

Argentina

BBVA Research estimates that **growth** will contract this year by between 13% and 16%, with a point estimate of 14%, and that there will be a partial recovery in 2021 with an expansion of between 3% and 6% (point estimate of 5.2%). Argentina was already experiencing one of the longest recessions in its history when the outbreak of the COVID-19 epidemic occurred. With one of the earliest and longest lockdowns on the continent, BBVA Research expects a very severe impact on the economy, which will continue to experience significant vulnerabilities in the years to come. Quarantine extensions have been accompanied by government fiscal support, now targeting certain sectors and regions. Financing the fiscal deficit through the central bank poses an inflation risk in the medium term, so BBVA Research considers as a working hypothesis that the government will reach a successful re-negotiation agreement with creditors.

In the **banking system**, the positive trend for both lending and deposit growth has continued in 2020, although notably influenced by high inflation. With data as of April 2020, profitability indicators deteriorated significantly (ROE: 18.9% and ROA: 2.8%) due to the COVID-19 effect, after reaching historical highs at the close of 2019. For its part, the NPL ratio fell slightly to 5.3% in March 2020.

Colombia

Production and consumption disruption resulting from the COVID-19 pandemic has resulted in strong reductions in the components of demand, mainly consumption and investment, in the second quarter of the year, a period in which the **contraction** of the economy reached 17% year-on-year. The opening of the economy is not uniform neither in terms of sectors of activity nor regions of the country, so we estimate that the recovery will be very gradual and slow from the second half of the year. For 2020, BBVA Research estimates a 7.5% (with a range between -5.5% and -10%) annual contraction with significant declines in consumption and investment. For 2021, BBVA Research estimates a partial recovery with a significant comparison basis effect. This recovery is expected to be slow due to the need to reallocate resources, high business failure rates and the loss of household income. In this context, the central bank has reduced the benchmark interest rate by 175 basis points since the start of the pandemic, an approach which is expected to continue until it falls to 2% (from its current 2.5%) for the third quarter. It has also carried out liquidity injection programs in the economy in addition to bond purchase programs. The scenario for 2020 and 2021 is still very uncertain, both on the epidemiological side and in terms of the effects on the economy of the gradual opening. This is despite the government's efforts to relax the Fiscal Rule that has been suspended for this year and the next, in order to expand measures to support the economy. BBVA Research estimates that the government deficit will be around 8.2% of GDP in 2020.

Total lending in the **banking system** grew by 11.8% year-on-year in April 2020, due to the high growth in the corporate portfolio driven by government-approved letters of credit and guarantee programs during the pandemic, with a 4.3% NPL ratio. Total deposits increased by 18.3% year-on-year in the same period.

Peru

BBVA Research estimates that Peru's **GDP** has contracted by an annual rate of slightly more than 30% in the second quarter of 2020, mainly as a result of the measures taken to limit the spread of COVID-19. For 2020 as a whole, a contraction of about 15% is estimated, with a range of between -18% to -12%, which assumes that the restrictions imposed during lockdown will be gradually phased out in accordance with the government plan. For the second half of the year, a contraction of 11% year-on-year is estimated. In 2021, GDP growth is estimated to be around 8% (in the range of 6.5% to 10.5%). The fiscal deficit will increase to about 9.4% by the end of 2020, as a result of the fiscal effort implemented to alleviate the negative impacts of COVID-19 on households and businesses. These efforts are part of a wider program, equivalent to 16% of GDP according to official sources. Moreover, the central bank has cut the benchmark interest rate by 100 basis points between March and April, bringing it to 0.25%, a historical low. BBVA Research estimates that this rate will remain at this level for some time and that the programs implemented so far to create liquidity in the financial system and support payment chains through the "Reactiva Perú" program will continue.

The **banking system** is showing high year-on-year growth rates for lending and deposits (up 12.1% and up 13.3% respectively, in April 2020), with profitability levels affected by the lockdown (ROE: 15.7%) but with contained NPLs (NPL ratio: 2.6%).

INTEREST RATES (PERCENTAGE)

	30-06-20	31-03-20	31-12-19	30-09-19	30-06-19	31-03-19
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months (1)	(0.38)	(0.42)	(0.39)	(0.42)	(0.33)	(0.31)
Euribor 1 year (1)	(0.15)	(0.27)	(0.26)	(0.34)	(0.19)	(0.11)
USA Federal rates	0.25	0.25	1.75	2.00	2.50	2.50
TIIE (Mexico)	5.00	6.50	7.25	7.75	8.25	8.25
CBRT (Turkey)	8.25	9.75	12.00	16.50	24.00	24.00

(1) Calculated as the month average.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	30-06-20	Δ % on 30-06-19	Δ % on 31-12-19	1H20	Δ % on 1H19
U.S. dollar	1.1198	1.6	0.3	1.1018	2.5
Mexican peso	25.9470	(15.9)	(18.2)	23.8753	(9.3)
Turkish lira	7.6761	(14.5)	(12.9)	7.1541	(11.1)
Peruvian sol	3.9470	(5.2)	(5.7)	3.7631	(0.3)
Argentine peso (1)	78.8283	(38.1)	(14.6)	-	-
Chilean peso	914.16	(15.4)	(8.0)	895.43	(14.8)
Colombian peso	4,209.23	(13.6)	(12.5)	4,066.28	(11.4)

(1) According to IAS 29 "Financial information in hyperinflationary economies", the year-end exchange rate is used for the conversion of the Argentina income statement.

Results

The BBVA Group generated a **net attributable loss** of €1,157m in the first half of 2020. The good performance of operating income was offset on the one hand by a further impairment on financial assets, mainly due to the deterioration of the macroeconomic scenario resulting from COVID-19 and higher provisions, and, on the other hand by the goodwill impairment in the United States in the first quarter of 2020 of €2,084m, also resulting from the pandemic. The comparison with the same period of the previous year is impacted by these two factors. Excluding the goodwill impairment in the United States, the Group´s net attributable profit stood at €928m which corresponds to a decrease of 62.0% compared to the first half of 2019. In the second quarter of the year, the net attributable profit, excluding the goodwill impairment in the United States, stood at €636m, 118.0% higher than the figure achieved in the first quarter.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2020		2019			
	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,097**	**4,556**	**4,709**	**4,473**	**4,544**	**4,398**
Net fees and commissions	1,043	1,258	1,290	1,273	1,256	1,214
Net trading income	512	594	490	351	116	426
Other operating income and expenses	(91)	75	(89)	22	(18)	8
Gross income	**5,561**	**6,484**	**6,400**	**6,120**	**5,897**	**6,046**
Operating expenses	(2,594)	(2,918)	(3,082)	(2,946)	(2,952)	(2,922)
Personnel expenses	(1,342)	(1,532)	(1,637)	(1,572)	(1,578)	(1,553)
Other administrative expenses	(884)	(988)	(1,039)	(971)	(976)	(977)
Depreciation	(369)	(397)	(406)	(403)	(398)	(392)
Operating income	**2,967**	**3,566**	**3,317**	**3,174**	**2,945**	**3,124**
Impairment on financial assets not measured at fair value through profit or loss	(1,571)	(2,575)	(1,169)	(1,172)	(731)	(1,001)
Provisions or reversal of provisions	(228)	(312)	(243)	(113)	(117)	(144)
Other results	(101)	(2,113)	(1,444)	(4)	(3)	(22)
Profit/(loss) before tax	**1,066**	**(1,435)**	**460**	**1,886**	**2,095**	**1,957**
Income tax	(269)	(186)	(430)	(488)	(595)	(541)
Profit/(loss) for the year	**798**	**(1,621)**	**31**	**1,398**	**1,500**	**1,416**
Non-controlling interests	(162)	(172)	(186)	(173)	(241)	(234)
Net attributable profit/(loss)	**636**	**(1,792)**	**(155)**	**1,225**	**1,260**	**1,182**
Earning per share (euros) (1)	**0.08**	**(0.29)**	**(0.04)**	**0.17**	**0.17**	**0.16**
Of which:						
Goodwill impairment in the United States		**(2,084)**	**(1,318)**			
Net attributable profit/(loss) excluding the United States goodwill impairment	**636**	**292**	**1,163**	**1,225**	**1,260**	**1,182**
Earning per share excluding the goodwill impairment in the United States (euros) (1)	**0.08**	**0.03**	**0.16**	**0.17**	**0.17**	**0.16**

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the quarterly information of the 2019 income statements has been restated.

(1) Adjusted by additional Tier 1 instrument remuneration.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	1H20	Δ %	Δ % at constant exchange rates	1H19
Net interest income	**8,653**	**(3.2)**	**4.5**	**8,941**
Net fees and commissions	2,301	(6.8)	(1.7)	2,470
Net trading income	1,107	104.1	135.1	542
Other operating income and expenses	(16)	61.3	33.2	(10)
Gross income	**12,045**	**0.8**	**8.8**	**11,944**
Operating expenses	(5,512)	(6.2)	(1.5)	(5,874)
Personnel expenses	(2,875)	(8.2)	(3.9)	(3,131)
Other administrative expenses	(1,872)	(4.1)	1.4	(1,953)
Depreciation	(766)	(3.1)	0.9	(790)
Operating income	**6,533**	**7.6**	**19.2**	**6,069**
Impairment on financial assets not measured at fair value through profit or loss	(4,146)	139.5	162.0	(1,731)
Provisions or reversal of provisions	(541)	107.6	116.5	(261)
Other results	(2,214)	n.s.	n.s.	(25)
Profit/(loss) before tax	**(368)**	**n.s.**	**n.s.**	**4,052**
Income tax	(455)	(60.0)	(55.5)	(1,136)
Profit/(loss) for the year	**(823)**	**n.s.**	**n.s.**	**2,916**
Non-controlling interests	(333)	(29.7)	(17.8)	(475)
Net attributable profit/(loss)	**(1,157)**	**n.s.**	**n.s.**	**2,442**
Earning per share (euros) (1)	**(0.20)**			**0.34**
Of which:				
Goodwill impairment in the United States	**(2,084)**			
Net attributable profit/(loss) excluding the United States goodwill impairment	**928**	**(62.0)**	**(57.8)**	**2,442**
Earning per share excluding the goodwill impairment in the United States (euros) (1)	**0.11**			**0.34**

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the first six months information of the 2019 income statements has been restated.

(1) Adjusted by additional Tier 1 instrument remuneration.

Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates**.

Gross income

Gross income increased by 8.8% year-on-year, supported by the good performance of net interest income and NTI, which managed to offset the lower contribution from net fees and commissions and the other operating income and expenses line.

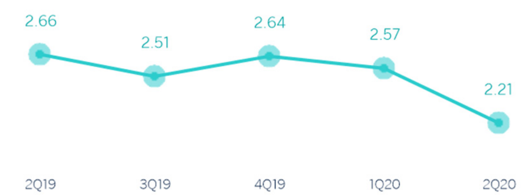
GROSS INCOME (MILLIONS OF EUROS)

(1) At constant exchange rates: +8.8%.

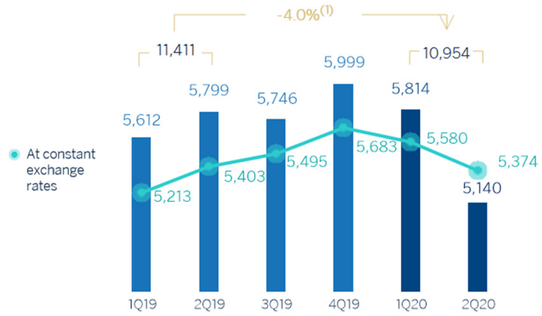
Net interest income grew by 4.5% year-on-year, supported by the good performance of Turkey and South America, which offset the smaller contribution from Mexico and the United States as a result of the benchmark interest rate cuts by the banking authorities in these countries.

Net fees and commissions were affected by the lower activity resulting from the lockdown imposed in response to the pandemic. The areas that showed year-on-year reductions were South America, Mexico and Turkey, the latter was also affected by changes in the regulation regarding fees and commissions charged, which have been in application since March 2020. In Spain, Rest of Eurasia and the United States, net fees and commissions grew year-on-year (up 7.4%, 19.6% and 2.6%, respectively) despite ceasing to charge some fees and commissions as one of the measures to support customers through the worst moments of the pandemic.

NET INTEREST INCOME/ATAS (PERCENTAGE)



NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS)



(1) At constant exchange rates: +3.2%.

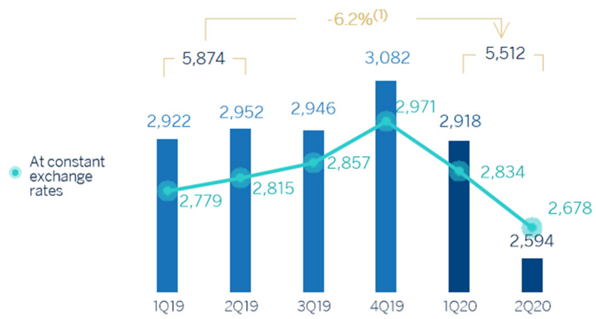
NTI recorded a year-on-year increase of 135.1% mainly due to the foreign-exchange rate hedging gains, registered at the Corporate Center, and higher results generated during the first half of the year by all business areas, with the exception of South America, due to the positive effect of the sale of the Prisma Medios de Pago S.A. stake in the first half of 2019.

The **other operating income and expenses** line closed the first half of the year at -€16m compared to the -€10m accumulated at the end of June 2019, which represents an increase of 33.2% compared to the same period of the previous year. This is mainly due to BBVA's increased annual contribution in Spain to the Single Resolution Fund (SRF) in the second quarter of 2020, which stood at -€165m compared to the -€144m contributed in 2019.

Operating income

Operating expenses fell 1.5% year-on-year as a result of the containment plans implemented by all business areas and also due to the limitations the lockdown placed on some expenses, such as travel. The main drivers are the reduction in expenses in Spain and the Corporate Center.

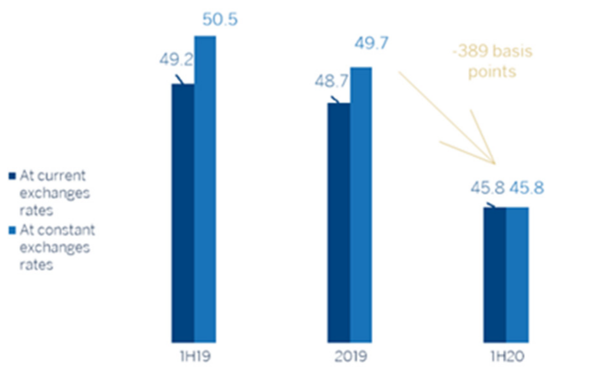
OPERATING EXPENSES (MILLIONS OF EUROS)



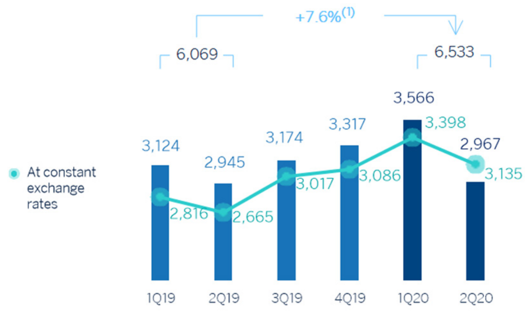
(1) At constant exchange rates: -1.5%.

As a result, the **efficiency** ratio stood at 45.8% as of June 30, 2020, significantly below the level reached last year (49.2%), and **operating income** grew 19.2% year-on-year.

EFFICIENCY RATIO (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)

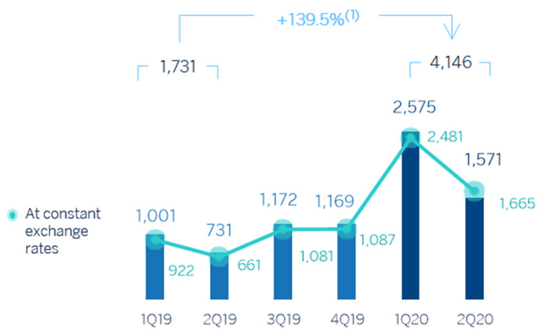


(1) At constant exchange rates: +19.2%.

Provisions and other

The impairment on financial assets not measured at fair value through profit and loss (**impairment on financial assets**) closed the half year with a negative balance of €4,146m, 162.0% above that recorded in the same period of the previous year, mainly due to the negative impact of the deterioration in the macroeconomic scenario resulting from COVID-19.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS)



(1) At constant exchange rates: +162.0%.

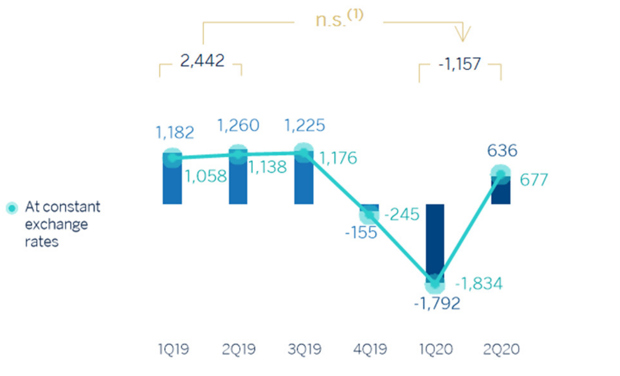
Provisions or reversal of provisions (hereinafter provisions) closed the first half of the year with a negative balance of €541m, 116.5% higher compared to the same period of the previous year, mainly due to higher provisions in Spain.

The **other gains (losses)** line mainly reflects the aforementioned goodwill impairment in the United States and closed the first half with a negative balance of €2,214m.

Results

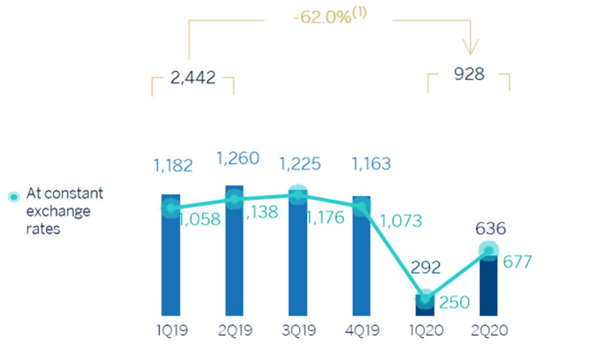
As a result of the above, the Group's **net attributable loss** during the first half of 2020 amounted to €1,157m, which compares negatively with the profit of €2,442m obtained in the first half of 2019. This comparison is affected by the increase in the impairment on financial assets as well as by the goodwill impairment in the United States, being both a result of the impact of COVID-19.

NET ATTRIBUTABLE PROFIT (MILLIONS OF EUROS)



(1) At constant exchange rates: n.s.

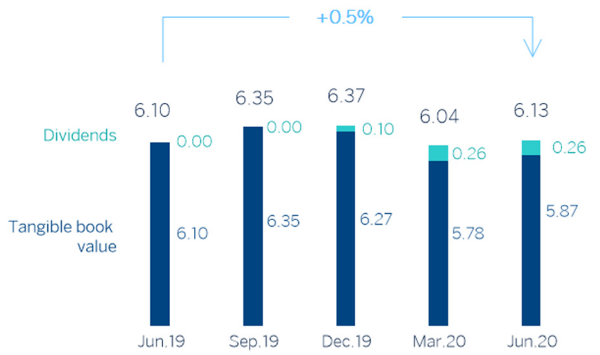
NET ATTRIBUTABLE PROFIT EXCLUDING THE UNITED STATES GOODWILL IMPAIRMENT (MILLIONS OF EUROS)



(1) At constant exchange rates: -57.8%

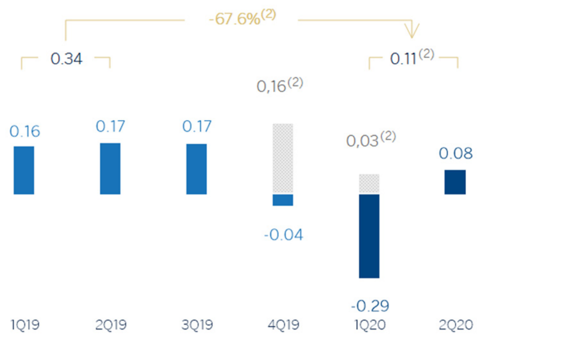
By **business areas**, and in millions of euros, the net attributable profit from the different business areas that make up the Group were: 88 in Spain, 26 in the United States, 654 in Mexico, 266 in Turkey, 159 in South America and 66 in the Rest of Eurasia.

TANGIBLE BOOK VALUE PER SHARE AND DIVIDENDS (1) (EUROS)



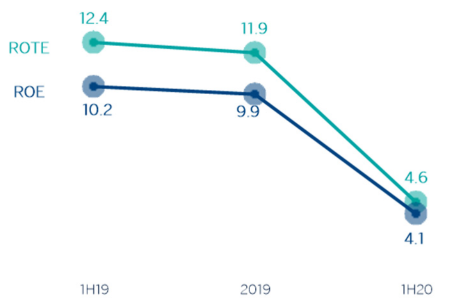
(1) Replenishing dividends paid in the period.

EARNING PER SHARE (1) (EUROS)



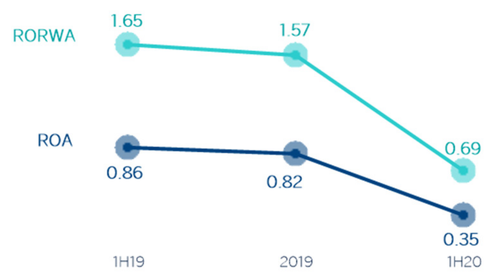
(1) Adjusted by additional Tier 1 instrument remuneration.
(2) Excluding the goodwill impairment in the United States in 4Q19 and 1Q20.

ROE AND ROTE (1) (PERCENTAGE)



(1) Ratios excluding the goodwill impairment in the United States in 2019 and 2Q20.

ROA AND RORWA (1) (PERCENTAGE)



(1) Ratios excluding the goodwill impairment in the United States in 2019 and 2Q20.

Balance sheet and business activity

The most relevant aspects related to the **evolution** of the Group's balance sheet and business activity as of June 30, 2020, are summarized below:

- **Loans and advances to customers** (gross) increased compared to the end of the previous year (up 1.5%), with increases mainly in the CIB and commercial portfolios that offset the deleveraging in the rest of the portfolios, thanks to the support programs promoted by the governments in the different geographical areas, especially Spain (ICO lines), Turkey (Credit Guarantee Fund), United States (PPP) and Peru ("Reactiva Perú" Plan).
- **Non-performing loans** increased by 2.4% in the second quarter, mainly in Turkey, although it did not reach the levels at the end of 2019.
- **Customer deposits** closed the first half 4.7% above December balances, with an increase of 4.4% in the quarter, strongly supported by the good performance of demand deposits (up 9.9% in the semester, up 6.7% in the quarter), where customers have deposited the liquidity available to face the pandemic.
- **Off-balance sheet funds** recovered somewhat between April and June and grew by 4.5%, although they continue to show a negative growth rate compared to December (down 6.5%), as a result of the negative performance of the markets caused by COVID-19 during the first quarter of the year.
- Regarding the **intangible assets**, during the first quarter of 2020, the United States goodwill was impaired by €2,084m due to the COVID-19 pandemic, which does not affect BBVA Group's tangible net equity, solvency, or liquidity.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

	30-06-20	∆ %	31-12-19	30-06-19
Cash, cash balances at central banks and other demand deposits	65,877	48.7	44,303	44,565
Financial assets held for trading	119,332	16.2	102,688	105,369
Non-trading financial assets mandatorily at fair value through profit or loss	4,998	(10.1)	5,557	4,918
Financial assets designated at fair value through profit or loss	1,098	(9.6)	1,214	1,403
Financial assets at fair value through accumulated other comprehensive income	70,045	14.5	61,183	63,364
Financial assets at amortized cost	450,222	2.5	439,162	430,930
Loans and advances to central banks and credit institutions	19,615	9.4	17,924	16,421
Loans and advances to customers	387,212	1.3	382,360	377,155
Debt securities	43,396	11.6	38,877	37,354
Investments in subsidiaries, joint ventures and associates	1,366	(8.2)	1,488	1,638
Tangible assets	9,057	(10.0)	10,068	10,302
Intangible assets	4,623	(33.6)	6,966	8,262
Other assets	27,205	4.4	26,060	26,876
Total assets	**753,824**	**7.9**	**698,690**	**697,626**
Financial liabilities held for trading	108,624	21.2	89,633	91,358
Other financial liabilities designated at fair value through profit or loss	9,203	(8.1)	10,010	8,922
Financial liabilities at amortized cost	559,713	8.3	516,641	513,937
Deposits from central banks and credit institutions	79,023	44.5	54,700	61,457
Deposits from customers	402,184	4.7	384,219	375,104
Debt certificates	64,421	0.7	63,963	62,685
Other financial liabilities	14,085	2.4	13,758	14,692
Liabilities under insurance and reinsurance contracts	9,462	(10.8)	10,606	10,634
Other liabilities	17,266	2.3	16,875	18,085
Total liabilities	**704,269**	**9.4**	**643,765**	**642,936**
Total equity	**49,555**	**(9.8)**	**54,925**	**54,690**
Total liabilities and equity	**753,824**	**7.9**	**698,690**	**697,626**
Memorandum item:				
Guarantees given	44,733	(2.0)	45,952	45,650

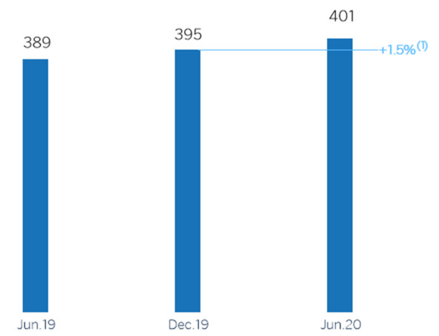
General note: figures considering the classification of BBVA Paraguay as non-current assets and liabilities held for sale (NCA&L), which are included within the other assets and other liabilities figures, respectively, as of 30-06-20 and 31-12-19.

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS) (1)

	30-06-20	Δ %	31-12-19	30-06-19
Public sector	**27,265**	**(3.3)**	**28,193**	**29,062**
Individuals	**166,663**	**(4.6)**	**174,608**	**173,191**
Mortgages	106,287	(3.8)	110,500	110,904
Consumer	34,560	(5.2)	36,438	36,413
Credit cards	12,230	(17.9)	14,892	13,928
Other loans	13,586	6.3	12,778	11,946
Business	**191,199**	**8.6**	**176,008**	**171,053**
Non-performing loans	**15,637**	**(2.0)**	**15,954**	**15,999**
Loans and advances to customers (gross)	**400,764**	**1.5**	**394,763**	**389,306**
Allowances (2)	(13,552)	9.3	(12,402)	(12,151)
Loans and advances to customers	**387,212**	**1.3**	**382,360**	**377,155**

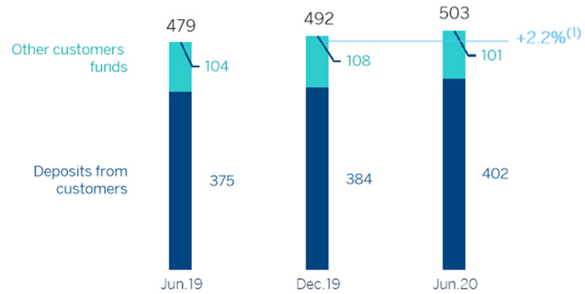
(1) Figures considering the classification of BBVA Paraguay as non-current assets and liabilities held for sale (NCA&L), which are included within the other assets and other liabilities figures of the Group consolidated balance sheet, respectively, as of 30-06-20 and 31-12-19.
(2) Allowances include the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). As of June 30, 2020, December 31, 2019 and June 30, 2019 the remaining amount was €399m, €433m and €490m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (GROSS. BILLIONS OF EUROS)



(1) At constant exchange rates: +6.9%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



(1) At constant exchange rates: +7.5%.

CUSTOMER FUNDS (MILLIONS OF EUROS) (1)

	30-06-20	Δ %	31-12-19	30-06-19
Deposits from customers	**402,184**	**4.7**	**384,219**	**375,104**
Current accounts	308,212	9.9	280,391	269,010
Time deposits	86,137	(10.8)	96,583	99,693
Other deposits	7,835	8.1	7,246	6,401
Other customer funds	**100,813**	**(6.5)**	**107,803**	**103,768**
Mutual funds and investment companies	63,237	(7.9)	68,639	65,681
Pension funds	35,664	(2.6)	36,630	34,960
Other off-balance sheet funds	1,912	(24.6)	2,534	3,127
Total customer funds	**502,997**	**2.2**	**492,022**	**478,872**

(1) Figures considering the classification of BBVA Paraguay as non-current assets and liabilities held for sale (NCA&L), which are included within the other assets and other liabilities figures of the Group consolidated balance sheet, respectively, as of 30-06-20 and 31-12-19.

Solvency

Capital base

BBVA's **fully-loaded CET1** ratio stood at 11.22% at the end of June 2020, which represents a significant improvement of 38 basis points over the previous quarter. As of June 30, the fully-loaded CET1 management buffer would be 263 basis points with respect to the minimum requirement for CET1 (8.59%), a level that is in the upper part of the target management buffer (225-275 points basic).

Financial markets stability in the second quarter, driven largely by the economic stimulus measures announced by the different national and supranational authorities, has allowed for a partial recovery from the shocks produced in the price of assets and has reduced the volatility. This has led to a positive contribution of approximately 14 basis points in the **CET1 fully-loaded** ratio during the quarter.

In addition, the approval by the European Parliament and the European Council of Regulation 2020/873 (known as **"CRR Quick Fix"**), which amends both Regulation 575/2013 (Capital Requirement Regulation (CRR)) and Regulation 2019/876 (Capital Requirement Regulation 2 (CRR2)) has contributed positively to the capital adequacy ratios. Those measures that can be applied on June 30 include the application of new SME and infrastructure support factors and the extension of the IFRS 9 transitional treatment (the latter only impacts phased-in ratios).

Demand for lending continues to contribute to the growth of exposures but mitigated, in terms of the calculation of **risk-weighted assets (RWAs),** by the public guarantee programs implemented by the different authorities. Likewise, the reduction in volatility has also allowed for lower capital requirements in those components of **RWAs** that are more sensitive to these factors such as those related to regulatory requirements for market risk. Finally, the application of the "CRR Quick Fix" - as previously mentioned - has had a positive effect allowing a reduction in capital requirements in those affected exposures.

As a result of all aforementioned, **risk-weighted assets fully-loaded** (RWAs) decreased by approximately €6,400m over the quarter, while isolating the effect of the exchange rate, the reduction was approximately €2,100m. In the first half of the year, RWAs, affected by the evolution of the exchange rates, fell by around €2,500m; isolating this effect, RWAs grew by around €13,800m.

Fully-loaded Additional Tier 1 capital (AT1) stood at 1.64% at the end of June 2020, remaining at similar levels to the previous quarters.

In this regard, in July 2020, BBVA completed the **first green convertible bond (CoCo) ever issued by a financial institution worldwide** in the amount of €1,000m, with a coupon of 6% and an option for early amortization in five and a half years, with demand exceeding the initial offer by a factor of three. This issuance will be included in the capital adequacy ratios for the third quarter with an estimated impact on AT1 of +28 basis points, which will allow to complete the total requirements at this level, including those from the tiering of Pillar II and, therefore, increasing the distance to MDA.

The **Tier 2 fully-loaded ratio** stood at 2.36% as of June 30, representing an increase of 31 basis points over the level of December 2019 explained by the evolution of subordinated emissions and other items eligible as Tier 2 capital during the semester. During the first half of the year, BBVA, S.A. issued €1,000m of Tier 2 subordinated debt over a ten-year period, with an option for early amortization in the fifth year, and a coupon of 1% in January 2020. Regarding the rest of the Group's subsidiaries, Garanti BBVA made a Tier 2 issue for 750 million Turkish liras in February to TLREF (Turkish Lira Overnight Reference Rate) plus 250 basis points already considered in the Group's adequacy ratios from the first quarter.

Finally, it should be noted that in July, another **Tier 2 issue** has been made for 300 million of sterling pounds, over an 11-year period with an early amortization option from the sixth year and a 3.104% coupon, thus reinforcing the ratio, diversifying the investment base and improving the price compared to an equivalent issue in euros. This issue will be included in the capital adequacy ratios for the third quarter with an estimated impact on Tier 2 of +9 basis points which allows to efficiently cover the capital requirements after the tiering of Pillar II also at this level.

Moreover, at the supervisory level, the ECB, in its announcement on March 12, has allowed the banks to use additional Tier 1 and Tier 2 capital instruments to meet the Pillar II Requirements (P2R) what is known as "**tiering of Pillar II**". These measures are reinforced by the relaxation of the Countercyclical Capital Buffer (CCyB) announced by various national macroprudential authorities and by other complementary measures published by the ECB. All of this has resulted in a reduction of 68 basis points in the fully-loaded CET1 requirement for BBVA, with that requirement standing at 8.59%. The reduction in the requirement at the total ratio level is only around 2 basis points, as a result of the lower applicable countercyclical buffer.

As a result, it was agreed in the first quarter to modify the CET1 **capital target** to reflect this new situation, which is determined as a management buffer of between 225 and 275 basis points over the CET1 requirements. This distance is the one used as reference for determining the previous CET1 capital target (when considering the fully-loaded aspect) of between 11.5% and 12%, so the new target maintains an equivalent distance in terms of CET1. At the end of June, the fully-loaded CET1 management buffer would be 263 basis points.

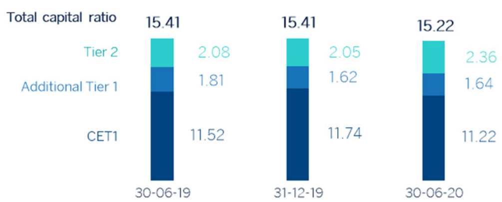
The **phased-in CET1** ratio stood at 11.63% at the end of June 2020, taking into account the transitory effect of the IFRS 9 standard. **Tier 1** capital stood at 1.68% and **Tier 2** at 2.58% resulting in a **total capital ratio** of 15.89%.

Regarding **shareholder remuneration**, on April 9 a cash payment was made for a supplementary dividend for the 2019 financial year for the gross amount of 0.16 euros per share, in line with that approved at the Annual General Meeting on March 13. This amounted to €1,067m. Thus, the total dividend for the 2019 financial year amounts to 0.26 euros gross per share. This had no impact on the evolution of the capital ratio as it was already accrued at the end of 2019. On April 30, 2020 BBVA Group has communicated to the market that the Board of Directors of BBVA has agreed to modify, for the financial year 2020, the Group's shareholder remuneration policy announced through the material fact notification of February 1, 2017, establishing a new policy for 2020 of not making any dividend payments for the 2020 financial year until the uncertainties caused by COVID-19 disappear and, in any case, not before the end of the tax year.

SHAREHOLDER STRUCTURE (30-06-2020)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	367,033	41.1	68,887,974	1.0
501 to 5,000	411,784	46.2	720,940,830	10.8
5,001 to 10,000	60,308	6.8	424,731,790	6.4
10,001 to 50,000	47,441	5.3	910,473,571	13.7
50,001 to 100,000	3,493	0.4	238,382,195	3.6
100,001 to 500,000	1,594	0.2	287,296,713	4.3
More than 500,001	291	0.0	4,017,173,507	60.2
Total	**891,944**	**100.0**	**6,667,886,580**	**100.0**

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	30-06-20 (1) (2)	**31-12-19**	**30-06-19**	**30-06-20 (1) (2)**	**31-12-19**	**30-06-19**
Common Equity Tier 1 (CET 1)	42,118	43,653	42,329	40,646	42,856	41,520
Tier 1	48,185	49,701	48,997	46,600	48,775	48,047
Tier 2	9,345	8,304	7,944	8,553	7,464	7,514
Total Capital (Tier 1 + Tier 2)	**57,531**	**58,005**	**56,941**	**55,153**	**56,240**	**55,561**
Risk-weighted assets	**362,050**	**364,448**	**360,069**	**362,388**	**364,942**	**360,563**
CET1 (%)	11.63	11.98	11.76	11.22	11.74	11.52
Tier 1 (%)	13.31	13.64	13.61	12.86	13.37	13.33
Tier 2 (%)	2.58	2.28	2.21	2.36	2.05	2.08
Total capital ratio (%)	**15.89**	**15.92**	**15.81**	**15.22**	**15.41**	**15.41**

(1) As of June 30, 2020, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR) and the subsequent amendments introduced by the Regulation (EU) 2020/873.
(2) Provisional data.

Regarding the **MREL** (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA has continued its issuance plan during 2020 by closing two public issues of non-preferred senior debt, one in January 2020 for €1,250m over seven years and a coupon of 0.5%, and another in February 2020 for CHF 160m over six and a half years and a coupon of 0.125%. In May 2020, the first issuance of a **COVID-19 social bond** by a private financial institution in Europe was completed, with excellent market acceptance. Demand exceeded initial supply by a factor of almost five, which allowed the initial indicative interest rate to be reduced by 33 basis points to mid-swap plus 112 basis points. This is a 5-year senior preferred bond, for €1,000m and a coupon of 0.75%.

The Group finds that the present structure of shareholders' funds and admissible liabilities, together with the proposed plan for issuances, should enable it to comply with the MREL by the date of entry into force of the requirement.

Finally, the Group's **leverage** ratio maintained a solid position, at 6.1% fully loaded (6.2% phased-in), which remains the highest among its peer group. These figures do not include the effect of the new July AT1 issuance, which would mean an improvement of +13 basis points, as well as the temporary exclusion of certain positions with the central bank considered in the "CRR-Quick fix" awaiting the pertinent declaration of the competent authorities for its application.

Ratings

The economic uncertainty caused by the COVID-19 pandemic has made the rating agencies to take several actions about the ratings which they assign to financial institutions of different countries during the second quarter of 2020. On June 22, Fitch downgraded by one notch the rating assigned to BBVA's senior preferred debt to A- with a stable perspective, after having changed it to Rating Watch Negative (RWN) on March 27 in a joint action that affected the Spanish banking groups and assigned them also RWN or negative outlook. On April 29, S&P confirmed BBVA's rating and its outlook in a joint action with the rest of the Spanish banks and assigned a negative outlook to the majority of the domestic banks. Meanwhile, DBRS confirmed the A (high) rating of BBVA with stable outlook and on April 1 and Moody's has maintained without changes BBVA's rating at A3 with a stable outlook. These ratings, together with their corresponding outlooks, are shown in the following table:

RATINGS

Rating agency	Long term (1)	Short term	Outlook
Axesor Rating	A+	n/a	Stable
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's	A3	P-2	Stable
Standard & Poor's	A-	A-2	Negative

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A- rating respectively, to BBVA's long term deposits.

Risk management

Credit risk

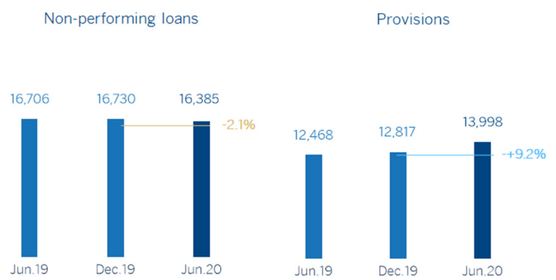
The calculation of the **expected credit losses** at the end of June includes:

- To respond to the circumstances created by the global COVID-19 pandemic in the macroeconomic environment, which has been characterized by a high degree of uncertainty regarding its intensity, duration and speed of recovery, the **update of the forward looking information** in the IFRS 9 models has been performed to incorporate the best information available at the date of publication of this report. The estimation of the expected credit losses has been calculated for all the geographical areas where the Group operates, with the best information available for each one, taking into account both the macroeconomic scenarios as well as the effects on specific sectors and customers. The scenarios used consider the various economic measures that have been announced by governments as well as the monetary, supervisory and macro-prudential authorities all over the world. Nevertheless, the degree of the impact of this pandemic on the business, the financial situation and the results of the Group, which could be material, will depend on future and uncertain events, including the intensity and the persistence over the time of the consequences derived from the pandemic in the various geographical areas where the Group operates.
- Amongst the diverse economic support measures implemented in the different geographical areas where the Group operates, stand out the granting of relief measures in terms of temporary payment deferments for customers affected by the pandemic, as well as the granting of loans, especially to companies and SMEs, which count on **public guarantees**. These measures are supported by the rules issued by the authorities of the geographical areas where the Group operates as well by certain industry agreements and should help to ease the temporary liquidity needs of the customers. The classification of the customers' credit quality and the calculation of the expected credit loss, once the credit quality of those customers will have been reviewed under the new circumstances, will depend on the effectiveness of these relief measures. In any case, the incorporation of public guarantees is considered to be a mitigating factor in the estimation of the expected credit losses.

BBVA Group's main risk indicators evolved as follows in the first semester of 2020, as a result, among other reasons, of the situation generated by the pandemic:

- **Credit risk** increased by 0.9% in the quarter (up 1.8% at constant exchange rates) due to the increase in the activity in those countries which count with governmental support programs to mitigate the impacts of COVID-19, particularly Spain (ICO lines) and the United States (Paycheck Protection Program). Compared to December, the credit risk increased by 1.1% (up 4.9% at constant exchange rates).
- **The balance of non-performing loans** grew by 2.4% in the second quarter of 2020 (up 3.4% at constant exchange rates) mainly in Turkey, but without reaching yet the levels at the end of 2019.
- **The NPL ratio** increased slightly to 3.7% as of June 30, 2020 (3.6% as of March 31, 2020), showing a reduction of 12 basis points compared to December 2019.
- **Loan-loss provisions** showed a strong increase of 9.2% compared to December (up 1.8% in the quarter) due to the higher provisions for the adjustment in the macro scenario due to the negative effects of COVID-19 and for specific clients in the commercial portfolio of certain business areas, mainly carried out during the first quarter.
- The **NPL coverage ratio** closed at 85% (slightly below March 31, 2020, down 50 basis points), and showed an improvement of 882 basis points compared to the end of 2019.
- The cumulative **cost of risk** stood at 2.04% as of June 30, 2020 after the strong growth registered in March related to the significant increase in the loan loss allowances in the first quarter.

NON-PERFORMING LOANS AND PROVISIONS
(MILLIONS OF EUROS)



CREDIT RISK (1) (MILLIONS OF EUROS)

	30-06-20 (2)	31-03-20 (2)	31-12-19 (2)	30-09-19 (2)	30-06-19
Credit risk	**446,623**	**442,648**	**441,964**	**438,177**	**434,955**
Non-performing loans	16,385	15,998	16,730	17,092	16,706
Provisions	13,998	13,748	12,817	12,891	12,468
NPL ratio (%)	**3.7**	**3.6**	**3.8**	**3.9**	**3.8**
NPL coverage ratio (%) (3)	**85**	**86**	**77**	**75**	**75**

(1) Include gross loans and advances to customers plus guarantees given.
(2) Figures without considering the classification of BBVA Paraguay as non-current assets and liabilities held for sale (NCA&L).
(3) The NPL coverage ratio includes the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). Excluding these allowances, the NPL coverage ratio would stand at 83% as of June 30, 2020, 74% as of December 31, 2019 and 72% as of June 30, 2019.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	2Q20 (1) (2)	1Q20 (2)	4Q19 (2)	3Q19 (2)	2Q19
Beginning balance	**15,998**	**16,730**	**17,092**	**16,706**	**17,297**
Entries	2,223	2,049	2,484	2,565	2,458
Recoveries	(1,151)	(1,366)	(1,509)	(1,425)	(1,531)
Net variation	**1,072**	**683**	**975**	**1,139**	**927**
Write-offs	(834)	(944)	(1,074)	(991)	(958)
Exchange rate differences and other	149	(471)	(262)	237	(561)
Period-end balance	**16,385**	**15,998**	**16,730**	**17,092**	**16,706**
Memorandum item:					
Non-performing loans	15,683	15,291	16,000	16,400	15,999
Non performing guarantees given	702	708	731	692	707

(1) Preliminary data.
(2) Figures without considering the classification of BBVA Paraguay as non-current assets and liabilities held for sale (NCA&L).

Structural risks

Liquidity and funding

Management of **liquidity and funding** at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing. In this context, it is important to notice that, given the nature of BBVA's business, the funding of lending activity is fundamentally carried out through the use of stable customer funds.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution **strategy**: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas, and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

During the first half of 2020, **liquidity** conditions remained comfortable across all countries in which the BBVA Group operates. Since the beginning of March, the global crisis caused by COVID-19 has had a significant impact on financial markets. The effects of this crisis on the Group's balance sheets have fundamentally been felt initially through increased drawdown of credit facilities by wholesale customers in the face of worsening funding conditions in the markets, with no significant effect in the retail world. In view of this situation, there was a joint response by various central banks, through specific measures and programs to facilitate the funding of the real economy and the provision of liquidity in the financial markets. It should be noted that during the second quarter, significant net repayments were observed from wholesale customers who had drawn down credit facilities during the first quarter of the year.

BBVA Group maintains a solid liquidity position in every geographical area with regulatory ratios maintained comfortably above the minimum required:

- The BBVA Group's **liquidity coverage ratio** (LCR) remained significantly above 100% and stood at 159% as of June 30, 2020. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 191% (32 percentage points above 159%). In addition, it comfortably exceeded 100% in all subsidiaries (Eurozone 198%, Mexico 169%, the United States 144% and Turkey 142%).

- The **Net Stable Funding Ratio** (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. At the BBVA Group, the NSFR, calculated according to the Basel requirements, remained above 100% throughout 2019 and stood at 124% as of June 30, 2020. It comfortably exceeded 100% in all subsidiaries (Eurozone 118%, Mexico 132%, the United States 120% and Turkey 144%).

The most relevant aspects related to the main geographical areas are the following:

- In the Eurozone, the liquidity situation remains comfortable with a high quality ample liquidity buffer that has been increasing during the first half of the year. In the wake of the COVID-19 crisis, there was initially a higher demand for lending through increased drawdown of credit facilities by the Corporate & Investment Banking wholesale business, which was also accompanied by growth in customer deposits. Subsequently, in the second quarter of the year there were partial repayments of the aforementioned drawdowns, while deposits have continued to grow. In addition, it is important to mention the measures implemented by the European Central Bank (ECB) in order to face the crisis, such as: the expansion of asset purchase programs, especially through the Pandemic Emergency Purchase Programme (PEPP) for €750,000m in a first tranche announced in March and extended with a second tranche for a further €600,000m until June 2021, or until the ECB considers the crisis to be over; the coordinated action by Central Banks for the provision of US dollars; a package of temporary collateral easing measures affecting eligibility for use in funding operations and the easing and improvement of the conditions for the TLTRO III program and the creation of the new program of long-term, non-targeted emergency refinancing operations (PELTRO). In March and June, BBVA took part in the TLTRO III liquidity windows (with an amount drawn at the end of June of €35 billion) due to its favorable cost and maturity conditions, and repaid the corresponding part of the TLTRO II program.
- BBVA USA also maintains an adequate liquidity buffer consisting of high-quality assets, which has been strengthened in this first half of the year. As in the Eurozone, there was an increase in loans toward the end of the first quarter of 2020, mainly due to a rise in the drawing down of credit facilities by wholesale customers and the US government's stimulus program for SMEs and self-employed workers (Paycheck Protection Program). In the second quarter there were repayments of a significant amount. However, during the first half, deposits have grown faster than lending, mainly because of government-established stimulus programs.
- At BBVA Mexico, the liquidity position has remained strong during the first half of 2020. Following the COVID-19 crisis, the lending gap increased in the first quarter of the year due to increased drawdown of credit facilities. However, the success of the commercial actions taken during the second quarter increased deposits. This, coupled with a normalization of lending growth, led to a reduction in the lending gap compared to December 2019 levels, creating a comfortable position in liquidity ratios. Regarding the measures taken by Banxico, in addition to reducing the monetary policy rate, it announced a reduction in the Monetary Regulation Deposit and the start of auctions of US dollars with credit institutions (swap line with the Fed) in which BBVA Mexico participated in April, for the amount of USD 1,250m, partially renewing that position in June for USD 700m.
- In Garanti BBVA, the liquidity situation remained comfortable in the first half of 2020, with a similar contraction in foreign currency loans and deposits, while in the local currency there was similar growth in deposits and loans. As a result of the COVID-19 crisis, an increase in collateral requirements was seen due to the credit risk in Turkey (Credit Default Swaps) to cover derivative valuations and wholesale funding. Moreover, Turkey's regulator has established the so-called asset ratio to encourage banks, first and foremost, to increase lending and avoid the accumulation of deposits, which has caused an increase in the lending gap. This has been covered by the bank's excess liquidity. Garanti BBVA meets the asset ratio requirements and continues to show a solid liquidity buffer.
- In South America, an adequate liquidity situation prevails throughout the region due to the support of various central banks and governments which, in order to mitigate the impact of the COVID-19 crisis, have acted by implementing measures to stimulate economic activity and provide greater liquidity in financial systems. In Argentina, US dollar deposit outflows in the banking system continued at a very gradual pace during the first half of the year, although BBVA Argentina continues to maintain a strong liquidity position with comfortable liquidity ratios. In Colombia, the increase in customer bank deposits has been maintained (improving the lending gap), in line with the situation for BBVA Peru, with both demonstrating a comfortable liquidity position.

After two months of great stability at the start of 2020, the wholesale **funding** markets in which the Group operates were affected by the events of COVID-19 and secondary market prices suffered a material correction as a result of the increased volatility. This led to a significant increase in the issue premiums and levels of access to the primary market. While certain degrees of volatility are still notable, this situation has been stabilizing and prices in the secondary market have been correcting themselves.

The main **transactions** carried out by the companies that form part of the BBVA Group in the first half of 2020 were:

- During the first quarter of 2020, BBVA, S.A. carried out two issuances of senior non-preferred debt totaling €1,400m and a Tier 2 issuance totaling €1,000m (see the "Solvency" chapter of this report for more information). In the second quarter of 2020, it issued preferred senior debt totaling €1,000m as a COVID-19 social bond, the first of its kind from a private financial institution in Europe (see the "Solvency" chapter of this report for more information). In July 2020 two issuances have been made: the first, is the first green convertible bond (CoCo) ever issued by a financial institution worldwide for the amount of €1,000m, with a coupon of 6% and an option for early amortization in five and a half years; and the second, a subordinated debt issuance of Tier 2 in Pounds sterling, for the amount of 300m, to a term of eleven years and option of amortization to the sixth, with a coupon of 3.104% (for more information on both operations see the "Solvency" chapter of this report).

- In the United States, BBVA USA did not issue wholesale debt in the first half, in line with the funding plan.
- In Mexico, a local senior issuance was successfully carried out in February for MXN 15,000m (€578 m) in three tranches. Two tranches in Mexican pesos over 3 and 5 years (one for MXN 7,123m at the Interbank Equilibrium Interest Rate (TIIE) 28 + 5 basis points and another for MXN 6,000m at TIIE 28 + 15 basis points, respectively), and another tranche in US dollars over 3 years (USD 100m at 3-month Libor + 49 basis points). The purpose of this issuance was to bring forward the refinancing of maturities in the year, taking advantage of the good market conditions, as well as to strengthen the liquidity situation by offsetting the seasonal outflows of deposits in the early months of the year.
- In Turkey, Garanti BBVA carried out a Tier 2 issuance for TRY 750 m in the first quarter (see the "Solvency" chapter of this report for more information). In the second quarter, Garanti BBVA renewed a syndicated loan by issuing the first green syndicated loan indexed to sustainability criteria, and in whose renovation the EBRD - European Bank for Reconstruction and Development- and the IFC -International Finance Corporation- have participated.
- In South America, there have been no issuances during the first two quarters of 2020.

Foreign exchange

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's capital adequacy ratio and ensure the stability of its income statement.

In the first half of 2020, foreign exchange markets have also been affected by the shock of the global spread of COVID-19 and its effects on the economy. The Mexican peso, which was heavily affected in the second half of February and in March, has closed the first half with a depreciation of 18.2% against the euro. Other currencies in the geographical areas in which BBVA Group operates have also suffered double-digit depreciations: In particular, the Argentine peso (down 14.6%), the Turkish lira (down 12.9%) and the Colombian peso (down 12.5%). To a lesser extent, the Chilean peso (down 8.0%) and the Peruvian sol (down 5.7%) also showed a decline in value against the euro. For its part, the US dollar (up 0.3% in the first half of the year) has moved within a range against the euro, appreciating to 1.07 at times of greater global fear, with the euro recovering with positive news about the economic rescue plan in Europe. BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio excess. Based on this policy, the sensitivity of the CET1 ratio to a 10% depreciation of the main emerging-market currencies against the euro stood at -3 basis points for the Mexican peso and -3 basis points for the Turkish lira. In the case of the US dollar, the sensitivity to a depreciation of 10% against the euro is approximately +9 basis points, as a result of RWAs denominated in US dollars outside the United States. At the close of June, the coverage level for expected earnings for 2020 stood near 50% in the case of Turkey, Colombia and Peru and around 90% for Mexico.

Interest rate

The aim of managing **interest-rate** risk is to limit the sensitivity of the balance sheets to interest rate fluctuations. BBVA carries out this work through an internal procedure following the guidelines established by the European Banking Authority (EBA), which measures the sensitivity of net interest income and economic value to determine the potential impact of a range of scenarios on the Group's different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Of particular relevance are assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates. These assumptions are reviewed and adapted at least once a year to take into account any changes in behavior.

At the aggregate level, BBVA continues to maintain a moderate risk profile, in line with the established target, showing a net interest income position which would be favored by an increase in interest rates, through effective management of structural balance sheet risk, taking into account the volatility in rates generated by COVID-19 in the second part of the quarter, this having virtually no effect due to the sound recurrence of the income.

By area, the main features are:

- Spain and the United States have balance sheets characterized by a high proportion of variable-rate loans in the loan portfolio (basically mortgages in Spain and corporate lending in both countries) and liability composed mainly of customer deposits. The ALCO portfolios act as hedging for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The profile of both balance sheets has remained stable during the first half of 2020.

  In addition, following a slightly downward trend at the start of the year for European benchmark interest rates (Euribor), there was a rebound of around 20–30 basis points (depending on the maturity) in mid-March. This was a result of an adjustment in expectations after the ECB held the marginal deposit facility rate at -0.50% when the market had discounted a fall, and an increase in the required credit spread in light of the COVID-19 crisis. Since May, Euribor has fallen by around -20 basis points, mainly due to the easing of credit spreads and the ECB's monetary stimulus measures. In the United States, base rates (Libor) have maintained a downward trend during the first half of the year (falling by between -150 and -160 basis points, depending on the maturity), in line with the Fed's rate cuts in the first quarter of the year.

- Mexico continues to show a stability between the balance sheet items benchmarked at fixed and variable interest rates. In terms of the assets most sensitive to interest rate fluctuations, the corporate portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. The ALCO portfolio is used to neutralize the longer duration of customer deposits. The sensitivity of net interest income continues to be limited and stable in 2020, considering the new interest rate scenario that emerged in March, with a downward trend in benchmark rates throughout 2020 compared to expectations at the beginning of the year. The monetary policy rate at the end of June stands at 5%, which has entailed a reduction of -225 basis points in the first half of the year (-150 basis points in the second quarter, downward movement also seen in the bond yield curve).
- In Turkey, the interest-rate risk (broken down into Turkish lira and US dollars) is very limited. In terms of assets, the sensitivity of lending, which is mostly fixed-rate but with relatively short maturities, and the ALCO portfolio, including inflation-linked bonds, are balanced by the sensitivity of deposits on the liability side, which are repriced in the short term. The sensitivity of net interest income on the currency balance sheets, although slightly higher than in the first quarter due to measures taken with regard to the asset ratio, continues to be low in this second quarter.
- In South America, the risk profile for interest rates remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with a low and virtually constant net interest income sensitivity throughout 2020. In addition, in balance sheets with several currencies, interest-rate risk is managed for each of the currencies, showing a very low level of risk. The measures promoted by central banks have helped benchmark interest rates to follow a path below that expected at the beginning of the year.

Responsible banking

BBVA´s **Purpose** is **to bring the age of opportunity to everyone**. This purpose is based on strong values: customer comes first, we think big and we are one team. As part of BBVA´s strategy, we want to improve our clients' financial health and help them in the transition to a sustainable future inspired by the United Nations Sustainable Development Goals. Specifically, BBVA is committed to support the transition towards a low carbon emissions economy and an inclusive economic development, both through its business and the various social programs fostered by the Group.

The key **strategic initiatives** of responsible banking are:

- Creating lasting and more balanced relations with the customers via transparent, clear and responsible communications, and supporting financial literacy in all of the solutions that we offer.
- A fully integrated approach to doing business via responsible business policies, a reputational risk model and people-centric culture throughout the organization.
- Supporting responsible and sustainable growth via financial inclusion, sustainable financing, support for SMEs and responsible investment.
- Investment in the community, prioritizing financial literacy initiatives, entrepreneurship, learning, and other locally significant social causes.

Measures taken by BBVA in response to COVID-19

In addition to the safety measures, business continuity and financial support to the commercial and retail sector in light of the situation caused by **COVID-19** mentioned at the beginning of this report, BBVA has stepped up efforts to **help society** in its fight against the pandemic, with a donation of **€35m** to purchase medical supplies, support vulnerable groups and promote research.

- BBVA has donated **€28.1m** to the first action item, mainly for the purchase of respirators and medical and personal protection equipment for healthcare workers.
- It has also focused efforts on reducing the negative impacts of the pandemic on the most vulnerable sections of society, supporting social organizations with more than **€4.2m**.
- Finally, as part of these efforts, there is a special call for grants totalling **€2.7m**, aimed at supporting 20 scientific research projects on COVID-19, in fields as diverse as biomedicine, statistics, big data and artificial intelligence, ecology and veterinary science, economics and social sciences and humanities.

In addition to this institutional donation, BBVA launched an initiative among its employees in most of the countries in which it operates, inviting them to join in with the charitable work against the pandemic, meaning that employees who wish to do so can help this cause by making donations. In these campaigns, BBVA has played its part by contributing an initial amount or by matching the contribution of its employees, so for every euro contributed by an employee, the bank has contributed another euro. The funds raised stand at **€1.8m** and they are being used to help the fight against the virus in the three action items mentioned above.

Finally, BBVA has encouraged its customers to get involved, launching several campaigns, mainly in Spain and Mexico, through which **€9.3m** has been raised.

As for **suppliers**, BBVA has supported the closest ones with protection schemes for employees and companies, and with the early payment of invoices, without waiting until the agreed deadline.

In the second half of 2020, and faced with the challenge of reconstruction and the adoption of the new normal, a **Social Plan** incorporating the main social needs is being developed, along with the new priorities for the BBVA strategic plan, with the aim of working as a priority on: (i) reducing inequalities; (ii) promoting sustainable growth; and (iii) promoting connected and inclusive education.

Other responsible banking initiatives

In terms of **gender diversity**, BBVA was once again included, for the third consecutive year, in the Bloomberg Gender-Equality Index, which is recognition of its commitment to creating working environments of trust, where the professional development and equal opportunities of all employees are guaranteed regardless of gender.

BBVA is committed to **diversity and inclusion** in all its forms and as a result in 2019 it joined the Corporate Network for Diversity and LGBTIQ+ Inclusion (REDI) and decided to support the United Nations "Standards of Conduct for Business on Tackling Discrimination against LGBTIQ+ people." Adherence to these principles, which safeguard the rights of the LGBTIQ+ community in the workplace, implies a commitment by the bank to ensure equal treatment and to activate measures that detect possible discrimination related to the sexual identity or orientation of the employees. Once again this year, and as part of **Pride Week**, BBVA has shown its support for the community by lighting up some of its corporate headquarters around the world, including the emblematic La Vela building in Madrid, in the colors of the LGTBIQ+ flag. It has also run a photography contest on Instagram that encourages people to show what diversity means to them through the hashtag #MakeItVisibleBBVA.

In addition to the Bloomberg Gender-Equality Index mentioned earlier, BBVA is present in other international **sustainability indexes** and ESG indexes (Environmental, Social and Governance) that rate the performance of companies in these areas. As of June 30, 2020, the main sustainability indexes in which BBVA is present are: Dow Jones Sustainability Indices, as a member of DJSI World and DJSI Europe; MSCI[1], as a member of the MSCI ESG Leaders Indexes; FTSE4Good, being a member of FTSE4Good Index Series; Euronext Vigeo, as a member of the Euronext Vigeo Eurozone 120 and Europe 120 indexes; Ethibel Sustainability Excellence, specifically in Ethibel Sustainability Excellence Europe and Ethibel Sustainability Excellence Global and finally, it is included as one of the leaders in the Carbon Disclosure Project (CDP) annual index of companies fighting against climate change.

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[1] The inclusion of BBVA in any MSCI index, and the use of logos, trademarks, service marks or index names herein does not constitute the sponsorship or promotion of BBVA by MSCI or any of its subsidiaries. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI indexes and logos are trademarks or service marks of MSCI or its subsidiaries.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios.

At the end of the first half of 2020, BBVA Group’s business areas **reporting structure** continued to be the same as the one presented at the end of 2019. BBVA Group's business areas are summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in this country. In April, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A., to create a bancassurance alliance, with the aim of jointly promoting the non-life insurance business in Spain, excluding the health insurance line, and constituting a newly created insurance company. The closing of the operation is subject to the approval of the competent regulatory authorities.
- **The United States** includes the business of BBVA USA and the activity of the BBVA, S.A. branch in New York.
- **Mexico** includes banking and insurance businesses in this country, as well as the activity that BBVA Mexico carries out through its branch in Houston.
- **Turkey** reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** basically includes banking and insurance businesses in the region. With respect to the agreement reached with Banco GNB Paraguay, S.A., for the sale of BBVA Paraguay, the closing of the transaction is subject to obtaining the authorizations from the competent regulatory authorities.
- **Rest of Eurasia** includes the banking business activity carried out in Asia and in Europe, excluding Spain.

The **Corporate Center** contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, **Corporate & Investment Banking (CIB)**, in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due to the important features of the type of customers served, products offered and risks assumed.

The **information by business area** is based on units at the lowest level and/or companies that comprise the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity.

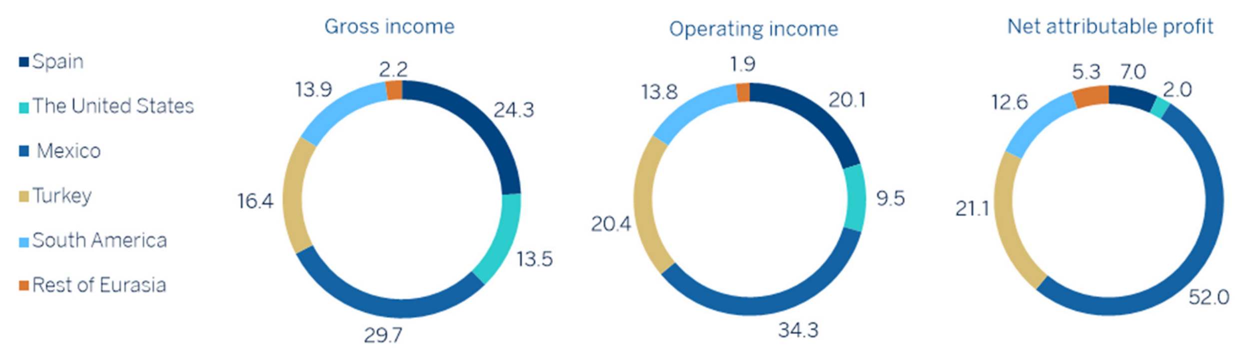
As usual, in the case of the different business areas in America, in Turkey and in CIB, the results applying constant **exchange rates** are given as well as the year-on-year variations at current exchange rates.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas							
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas	Corporate Center
30-06-20									
Net interest income	8,653	1,793	1,133	2,717	1,534	1,443	102	8,723	(69)
Gross income	12,045	2,900	1,607	3,550	1,957	1,664	268	11,947	98
Operating income	6,533	1,371	648	2,349	1,394	945	131	6,840	(307)
Profit/(loss) before tax	(368)	124	15	891	715	297	89	2,132	(2,500)
Net attributable profit/(loss)	(1,157)	88	26	654	266	159	66	1,259	(2,416)
30-06-19									
Net interest income	8,941	1,763	1,217	3,042	1,353	1,613	85	9,073	(132)
Gross income	11,944	2,773	1,615	3,901	1,677	1,994	220	12,180	(236)
Operating income	6,069	1,145	655	2,611	1,084	1,215	78	6,787	(718)
Profit/(loss) before tax	4,052	1,027	363	1,783	726	847	69	4,814	(762)
Net attributable profit/(loss)	2,442	734	297	1,287	282	404	55	3,058	(616)

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the first six months information of the 2019 income statements has been restated.

GROSS INCOME(1) AND OPERATING INCOME(1) BREAKDOWN (PERCENTAGE. 1H20)



(1) Excludes the Corporate Center.

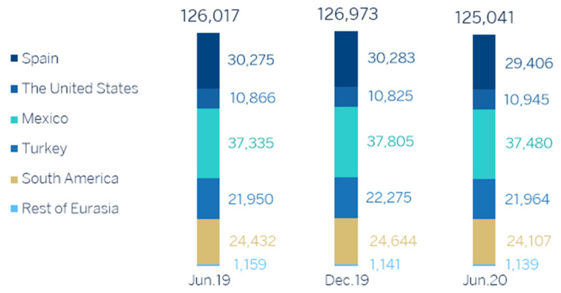
MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas									
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas	Corporate Center	Deletions	NCA&L (1)
30-06-20											
Loans and advances to customers	387,212	172,026	68,668	49,440	41,196	35,336	22,524	389,190	425	(1,326)	(1,078)
Deposits from customers	402,184	195,676	75,649	50,398	40,132	39,357	4,567	405,779	308	(2,431)	(1,473)
Off-balance sheet funds	100,813	60,974	-	21,271	4,212	13,838	518	100,813	-	-	-
Total assets/liabilities and equity	753,824	419,475	101,118	103,671	63,525	57,891	26,805	772,485	40,544	(59,205)	-
RWAs	362,050	109,625	66,889	54,947	57,190	44,015	20,247	352,913	9,137	-	-
31-12-19											
Loans and advances to customers	382,360	167,332	63,162	58,081	40,500	35,701	19,669	384,445	813	(1,692)	(1,205)
Deposits from customers	384,219	182,370	67,525	55,934	41,335	36,104	4,708	387,976	308	(2,598)	(1,467)
Off-balance sheet funds	107,803	66,068	-	24,464	3,906	12,864	500	107,803	-	-	-
Total assets/liabilities and equity	698,690	365,380	88,529	109,079	64,416	54,996	23,257	705,656	49,886	(56,852)	-
RWAs	364,448	104,911	65,170	59,299	56,642	45,413	17,989	349,422	15,026	-	-

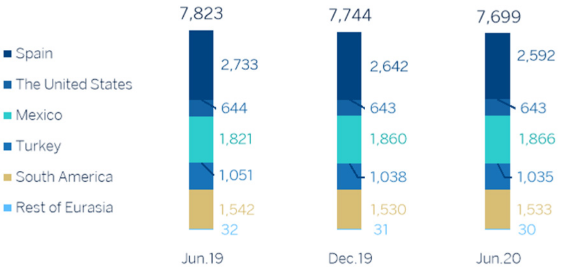
(1) Non-current assets and liabilities held for sale (NCA&L) from BBVA Paraguay.

The balance sheet includes a column, which represents the **deletions** and balance sheet adjustments between the different business areas, especially in terms of the relationship between the areas in which the parent company operates, i.e. Spain, Rest of Eurasia and the United States, and the Corporate Center.

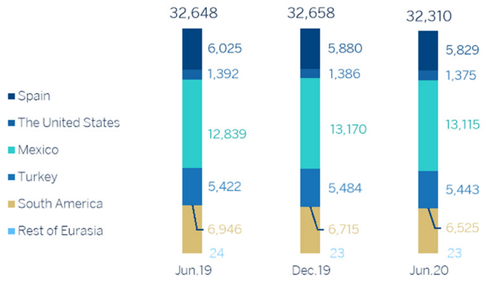
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

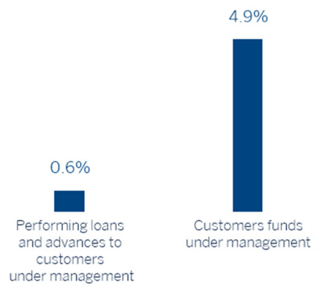


Spain

Highlights

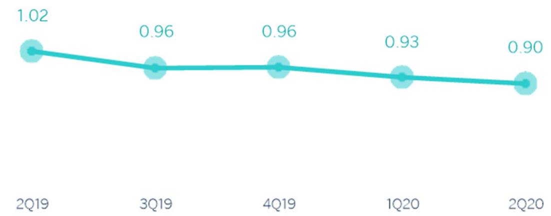
- **Growth in activity, partly driven by government support programs.**
- **Significant improvement in operating income due to an increase in recurring income and a decrease in operating expenses.**
- **Contained risk indicators.**
- **Net attributable profit affected by the significant increase in the impairment on financial assets.**

BUSINESS ACTIVITY[(1)]
(YEAR-ON-YEAR CHANGE. DATA AS OF 30-06-20)

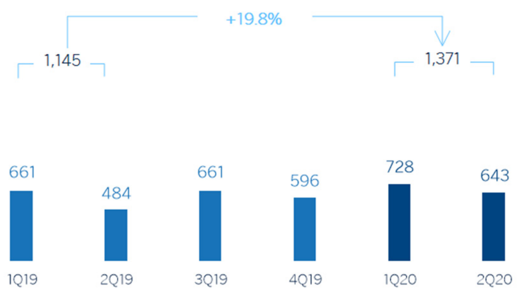


(1) Excluding repos.

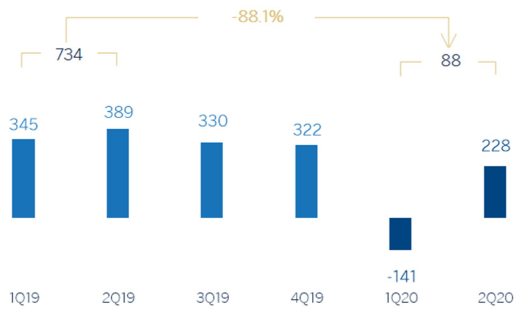
NET INTEREST INCOME/ATAS
(PERCENTAGE)



OPERATING INCOME
(MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	1H19
Net interest income	**1,793**	**1.7**	**1,763**
Net fees and commissions	908	7.4	846
Net trading income	165	79.6	92
Other operating income and expenses	34	(53.0)	72
Of which: Insurance activities (1)	237	(8.2)	258
Gross income	**2,900**	**4.6**	**2,773**
Operating expenses	(1,529)	(6.1)	(1,628)
Personnel expenses	(866)	(8.1)	(942)
Other administrative expenses	(433)	(3.2)	(447)
Depreciation	(230)	(3.5)	(239)
Operating income	**1,371**	**19.8**	**1,145**
Impairment on financial assets not measured at fair value through profit or loss	(883)	n.s.	70
Provisions or reversal of provisions and other results	(365)	94.6	(188)
Profit/(loss) before tax	**124**	**(88.0)**	**1,027**
Income tax	(34)	(88.3)	(292)
Profit/(loss) for the year	**90**	**(87.8)**	**735**
Non-controlling interests	(2)	46.1	(1)
Net attributable profit/(loss)	**88**	**(88.1)**	**734**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	30-06-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	32,199	102.5	15,903
Financial assets designated at fair value	147,143	19.8	122,844
Of which: Loans and advances	35,995	5.3	34,175
Financial assets at amortized cost	203,500	4.2	195,260
Of which: Loans and advances to customers	172,026	2.8	167,332
Inter-area positions	26,357	21.8	21,637
Tangible assets	3,149	(4.6)	3,302
Other assets	7,126	10.7	6,436
Total assets/liabilities and equity	**419,475**	**14.8**	**365,380**
Financial liabilities held for trading and designated at fair value through profit or loss	97,430	23.8	78,684
Deposits from central banks and credit institutions	60,533	47.3	41,092
Deposits from customers	195,676	7.3	182,370
Debt certificates	38,981	9.7	35,520
Inter-area positions	-	-	-
Other liabilities	17,009	(8.0)	18,484
Economic capital allocated	9,847	6.7	9,229

Relevant business indicators	30-06-20	Δ %	31-12-19
Performing loans and advances to customers under management (1)	168,528	2.7	164,140
Non-performing loans	8,504	(1.5)	8,635
Customer deposits under management (1)	195,676	7.3	182,370
Off-balance sheet funds (2)	60,974	(7.7)	66,068
Risk-weighted assets	109,625	4.5	104,911
Efficiency ratio (%)	52.7		57.5
NPL ratio (%)	4.3		4.4
NPL coverage ratio (%)	66		60
Cost of risk (%)	1.00		0.08

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

The most relevant aspects related to the area's activity during the first half of 2020 were:

- The **lending activity** (performing loans under management) was 2.7% above the end of 2019. The reduction in mortgages and consumer lending (including credit cards) due to the lockdown derived from COVID-19, was largely offset by higher balances in corporate banking (up 9.2%), retail businesses (up 7.6%) and SMEs (up 5.6%), which benefited from the credit lines guaranteed by the Spanish *Instituto de Crédito Oficial* (ICO).
- In terms of **asset quality**, the NPL ratio and NPL coverage ratio remained at the same level as in March, 4.3% and 66%, respectively.
- **Total** customer **funds** increased by 3.3% compared to the end of 2019, partly due to the trend towards increasing savings during the lockdown, by both companies and retail customers. This has meant an increase in customer **deposits** under management (up 7.3%) which managed to offset the negative evolution of **off-balance sheet funds** (down 7.7%) resulting from their unfavorable evolution in the first quarter of the year, partially offset between April and June 2020.

Results

Spain generated a positive net attributable **profit** of €88m during the first half of 2020, compared to a profit of €734m in the same period of the previous year, due to an increase in the impairment on financial assets, as the operating income increased by 19.8% compared to the same period in 2019.

The highlights of the area's income statement are:

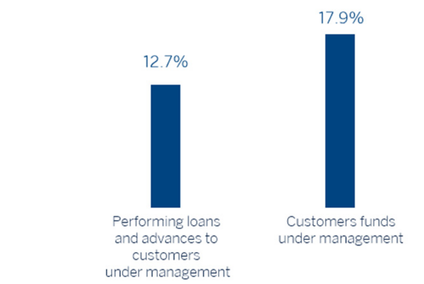
- The **net interest income** increased from the first half of the previous year (up 1.7%), mainly due to the lower funding costs and the greater contribution from the ALCO portfolios.
- **Net fees and commissions** performed well (up 7.4% year-on-year), strongly supported by asset management fees and commissions, and those generated by corporate banking transactions.
- Positive development of **NTI** (up 79.6% year-on-year), mainly due to higher portfolio sales.
- **Other operating income and expenses** fell by 53.0% compared to the first half of 2019, due to the higher contribution to the Single Resolution Fund (SRF) and the lower earnings of the insurance business resulting from the lower activity during the lockdown.
- The reduction in **operating expenses** accelerated (down 6.1% year-on-year), mainly as a result of the cost-containment plans but supported by the reduction in some discretionary expenses as a result of the lockdown. Therefore, the **efficiency** ratio stood at 52.7% compared to 58.7% in the same period in 2019.
- **The impairment on financial assets** increased by €953m compared to the first half of 2019, mainly due to the negative impact from the deterioration of the macroeconomic scenario caused by COVID-19, which incorporates loan loss allowances for the most affected sectors, in a comparison that is further impacted by portfolio sales made last year. Following the upturn in March due to the increase in the impairment on financial assets, the cumulative cost of risk fell in the quarter to 1.00%.
- Finally, **provisions and other results** closed at -€365m, or 94.6% above the first half of the previous year, partially due to higher provisions to face potential claims.

The United States

Highlights

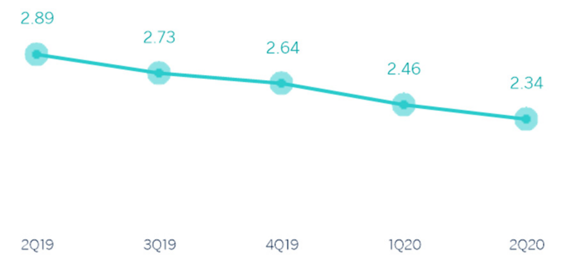
- **Increase in loans focused on the commercial portfolios, whereas retail segments have been affected by the lockdown. Strong increase in customer deposits.**
- **Contained risk indicators.**
- **Net interest income affected by the Fed's rate cuts. Positive evolution of fees and commissions and NTI.**
- **Net attributable profit affected by the significant increase in the impairment on financial assets line.**

BUSINESS ACTIVITY (1)
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 30-06-20)

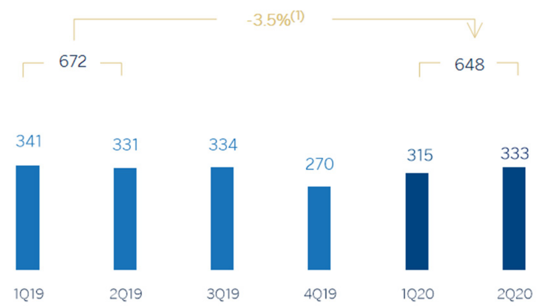


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

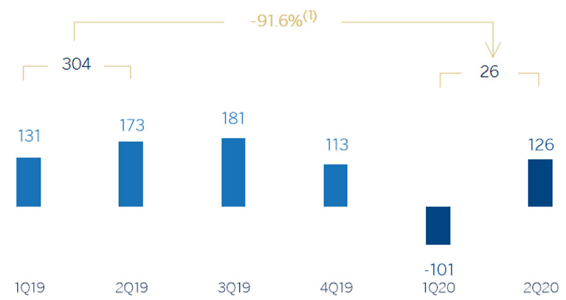


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -1.1%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -91.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	Δ % (1)	1H19
Net interest income	**1,133**	**(6.9)**	**(9.2)**	**1,217**
Net fees and commissions	336	5.2	2.6	320
Net trading income	148	87.3	83.1	79
Other operating income and expenses	(10)	n.s.	n.s.	(1)
Gross income	**1,607**	**(0.5)**	**(2.9)**	**1,615**
Operating expenses	(959)	(0.0)	(2.5)	(959)
Personnel expenses	(558)	0.6	(1.8)	(554)
Other administrative expenses	(295)	0.0	(2.4)	(295)
Depreciation	(106)	(3.6)	(6.0)	(110)
Operating income	**648**	**(1.1)**	**(3.5)**	**655**
Impairment on financial assets not measured at fair value through profit or loss	(614)	114.5	109.2	(286)
Provisions or reversal of provisions and other results	(19)	232.0	222.0	(6)
Profit/(loss) before tax	**15**	**(95.8)**	**(95.9)**	**363**
Income tax	11	n.s.	n.s.	(67)
Profit/(loss) for the year	**26**	**(91.4)**	**(91.6)**	**297**
Non-controlling interests	-	-	-	-
Net attributable profit/(loss)	**26**	**(91.4)**	**(91.6)**	**297**

Balance sheets	30-06-20	Δ %	Δ % (1)	31-12-19
Cash, cash balances at central banks and other demand deposits	13,908	67.7	67.2	8,293
Financial assets designated at fair value	6,955	(9.2)	(9.5)	7,659
Of which: Loans and advances	384	46.9	46.4	261
Financial assets at amortized cost	76,800	10.5	10.1	69,510
Of which: Loans and advances to customers	68,668	8.7	8.4	63,162
Inter-area positions	-	-	-	-
Tangible assets	907	(0.8)	(1.1)	914
Other assets	2,548	18.4	18.0	2,153
Total assets/liabilities and equity	**101,118**	**14.2**	**13.9**	**88,529**
Financial liabilities held for trading and designated at fair value through profit or loss	459	62.8	62.3	282
Deposits from central banks and credit institutions	6,229	52.6	52.1	4,081
Deposits from customers	75,649	12.0	11.7	67,525
Debt certificates	3,177	(10.5)	(10.8)	3,551
Inter-area positions	4,985	45.9	45.5	3,416
Other liabilities	6,703	15.0	14.6	5,831
Economic capital allocated	3,916	1.9	1.6	3,843

Relevant business indicators	30-06-20	Δ %	Δ % (1)	31-12-19
Performing loans and advances to customers under management (2)	69,206	9.4	9.1	63,241
Non-performing loans	822	12.6	12.2	730
Customer deposits under management (2)	75,651	12.0	11.7	67,528
Off-balance sheet funds (3)	-	-	-	-
Risk-weighted assets	66,889	2.6	2.3	65,170
Efficiency ratio (%)	59.7			61.0
NPL ratio (%)	1.1			1.1
NPL coverage ratio (%)	133			101
Cost of risk (%)	1.80			0.88

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rates. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity during the first half of 2020 were:

- The **lending activity** for the area (performing loans under management) showed an increase of 9.1%, mainly due to the dynamism of the commercial portfolio of CIB (up 22.6%) and the segment of corporate and commercial banking (up 12.7%), the latter supported by the Paycheck Protection Program (PPP). The rest of the **retail** portfolio showed negative variations compared to the end of 2019 (down 1.1%) as it has been affected by lower activity levels as a result of the lockdown.
- In terms of the **risk indicators**, the NPL ratio remained stable over the semester and closed at 1.1%. The NPL coverage ratio improved to 133%.
- Customer **deposits** under management increased by 11.7% in the semester, aided by the disposal of customers of the funds received from the governmental programs to face the crisis.

Results

The United States generated a net attributable **profit** of €26m during the first half of 2020, 91.6% less than in the same period of the previous year. The most relevant aspects related to the income statement are summarized below:

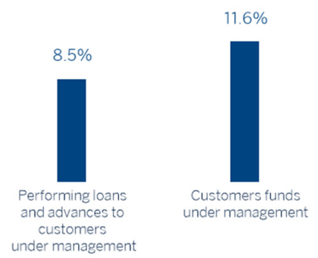
- **Net interest income** fell by 9.2% year-on-year, impacted by interest rate cuts, for a total of 225 basis points, made by the Fed since the first quarter 2019.
- **Net fees and commissions** closed with an increase of 2.6% compared to the same period in the previous year, due mainly to those generated by the Global Markets unit.
- **NTI** contribution increased (up 83.1% year-on-year) as a result of higher capital gains from the sale of ALCO portfolios and higher results from the Global Markets unit.
- **Operating expenses** are lower compared to the same period in the previous year (down 2.5% year-on-year) as a result of both the decrease of some expenses due to the pandemic and the containment plans which have been implemented.
- Increase in the **impairment on financial assets** (up 109.2% year-on-year, down 56.0% in the quarter), explained by the adjustment in the macro scenario due to the negative effects of COVID-19 and to higher loan-loss provisions in the first quarter to cover specific clients in the Oil & Gas sector. Consequently, the cumulative **cost of risk** as of June 2020 stood at 1.80%, after the rebound experienced in March due to the increase in the impairment on financial assets.
- The heading of **provisions and other results** closed at €-19m, mainly due to higher provisions as a consequence of COVID-19.
- The **income tax** registered an income of €11m as a result of the adjustment of the calculation of the effective tax rate for the whole year.

Mexico

Highlights

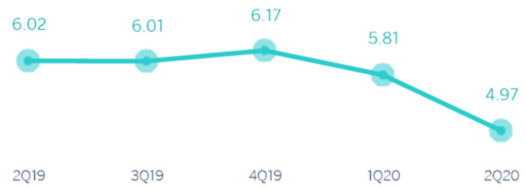
- **Evolution of activity is supported by the good performance of the wholesale portfolio.**
- **Growth of gross income thanks to the increase in NTI.**
- **Stability in operating income.**
- **Net attributable profit affected by the significant increase in the impairment on financial assets line.**

BUSINESS ACTIVITY (1)
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 30-06-20)

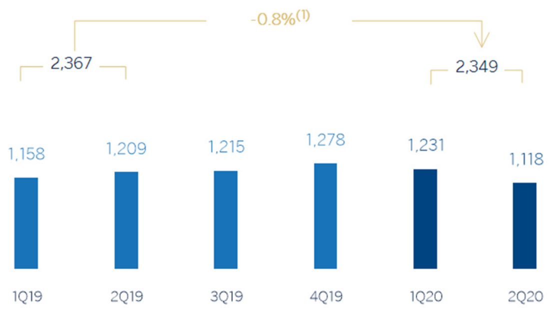


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

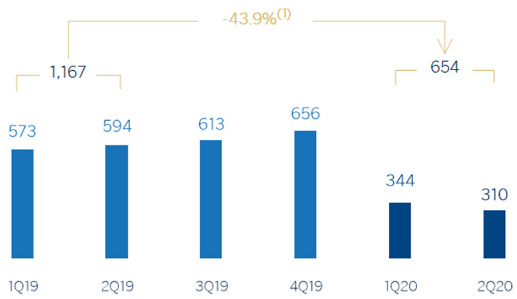


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -10.0%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -49.1%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	Δ % (1)	1H19
Net interest income	**2,717**	**(10.7)**	**(1.5)**	**3,042**
Net fees and commissions	513	(17.5)	(9.0)	621
Net trading income	231	71.0	88.5	135
Other operating income and expenses	88	(13.1)	(4.1)	102
Gross income	**3,550**	**(9.0)**	**0.4**	**3,901**
Operating expenses	(1,200)	(6.9)	2.6	(1,290)
Personnel expenses	(490)	(10.5)	(1.3)	(548)
Other administrative expenses	(551)	(3.3)	6.7	(570)
Depreciation	(159)	(7.8)	1.6	(172)
Operating income	**2,349**	**(10.0)**	**(0.8)**	**2,611**
Impairment on financial assets not measured at fair value through profit or loss	(1,394)	70.5	88.0	(818)
Provisions or reversal of provisions and other results	(64)	n.s.	n.s.	(10)
Profit/(loss) before tax	**891**	**(50.0)**	**(44.9)**	**1,783**
Income tax	(237)	(52.4)	(47.5)	(496)
Profit/(loss) for the year	**655**	**(49.1)**	**(43.9)**	**1,287**
Non-controlling interests	(0)	(49.4)	(44.2)	(0)
Net attributable profit/(loss)	**654**	**(49.1)**	**(43.9)**	**1,287**

Balance sheets	30-06-20	Δ %	Δ %(1)	31-12-19
Cash, cash balances at central banks and other demand deposits	6,562	1.1	23.7	6,489
Financial assets designated at fair value	33,941	8.1	32.2	31,402
Of which: Loans and advances	2,336	200.7	267.6	777
Financial assets at amortized cost	58,418	(11.7)	7.9	66,180
Of which: Loans and advances to customers	49,440	(14.9)	4.1	58,081
Tangible assets	1,582	(21.7)	(4.3)	2,022
Other assets	3,167	6.1	29.7	2,985
Total assets/liabilities and equity	**103,671**	**(5.0)**	**16.2**	**109,079**
Financial liabilities held for trading and designated at fair value through profit or loss	24,494	12.4	37.5	21,784
Deposits from central banks and credit institutions	3,096	46.2	78.8	2,117
Deposits from customers	50,398	(9.9)	10.2	55,934
Debt certificates	7,799	(11.8)	7.9	8,840
Other liabilities	12,535	(19.2)	(1.2)	15,514
Economic capital allocated	5,348	9.4	33.8	4,889

Relevant business indicators	30-06-20	Δ %	Δ % (1)	31-12-19
Performing loans and advances to customers under management (2)	50,217	(14.3)	4.8	58,617
Non-performing loans	1,194	(19.2)	(1.2)	1,478
Customer deposits under management (2)	50,131	(9.4)	10.8	55,331
Off-balance sheet funds (3)	21,271	(13.0)	6.3	24,464
Risk-weighted assets	54,947	(7.3)	13.3	59,299
Efficiency ratio (%)	33.8			32.9
NPL ratio (%)	2.2			2.4
NPL coverage ratio (%)	165			136
Cost of risk (%)	4.95			3.01

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant developments in relation to activity in the area during the first half of 2020 have been:

- **Lending activity** (performing loans under management) grew by 4.8% in the first six months, supported by the performance of the wholesale portfolio, which registered an increase of 10.4%, driven by both the availability of credit facilities to deal with the pandemic and by the constant organic generation of lending. It is worth mentioning that the growth of BBVA Mexico's wholesale portfolio outperformed the market, allowing it to gain 120 basis points of market share in this segment over the last twelve months to 20.7%, according to the latest data available at the end of May (Source: Mexican National Banking and Securities Commission). The **retail** portfolio closed in line with December 2019 (up 0.2%), due to lower economic activity resulting from the lockdown, which affected consumer portfolios and credit cards.
- The **asset quality** indicators improved in comparison to the end of 2019. As a result, the NPL ratio stood at 2.2% and the NPL coverage ratio at 165%.
- **Customer deposits** under management grew by 10.8% in the half year, driven by the good performance of both demand deposits and time deposits. Off-balance sheet funds also performed well in the half-year (up 6.3%), due to a greater customer preference for these products in their search for more profitable investment alternatives.

Results

BBVA Mexico achieved a net attributable **profit** of €654m in the first half of 2020, which is a 43.9% reduction compared to the same period of the previous year. This was due to the increase in the impairment on financial assets, generated by additional provisions made during the first half of the year as a result of COVID-19. The most relevant aspects related to the income statement are summarized below:

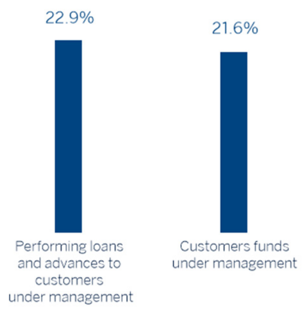
- **Net interest income** closed below the first half of 2019 (down 1.5%) since higher activity levels were offset by a reduction of 225 basis points in the benchmark rates during the first half of 2020. Additionally, this reflects the change in the portfolio mix, with a higher percentage of wholesale customers, as well as the application of customer support programs.
- **Net fees and commissions** fell (down 9.0%), mainly as a result of lower fees and commissions for credit card transactions due to the lockdown imposed in response to the pandemic, and to an increase in transactions made through digital channels, which do not generate fees and commissions for retail customers.
- The **NTI** performed strongly, with an 88.5% year-on-year growth mainly derived from the earnings of the Global Markets unit, as well as higher earnings from foreign exchange transactions.
- The **other operating income and expenses** line registered a year-on-year fall of 4.1%, mainly due to a greater contribution to the Deposit Guarantee Fund which was partially offset by the good performance of the insurance business.
- The **impairment on financial assets** line item increased by 88.0%, mainly due to the additional provisions caused by COVID-19, which include the deterioration in the macroeconomic scenario. The cumulative cost of risk as of June 2020 was 4.95%.
- In the **provisions and other results** line, the comparison was negative due to higher provisions for contingencies resulting from COVID-19.

Turkey

Highlights

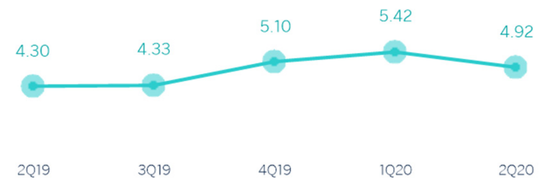
- **Activity impacted by the support programs and lockdown.**
- **Good performance of net interest income and NTI.**
- **Efficiency ratio improvement.**
- **Net attributable profit affected by the significant increase in the impairment on financial assets line.**

BUSINESS ACTIVITY [(1)]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 30-06-20)

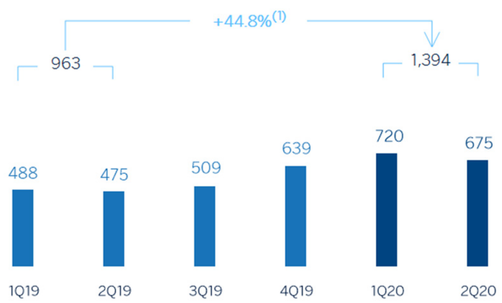


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

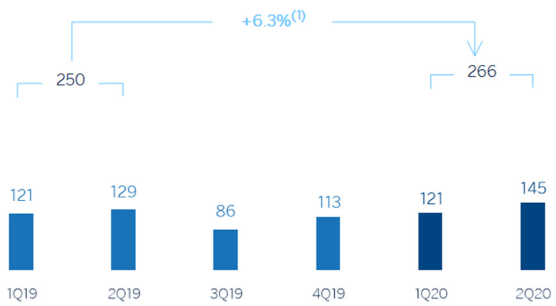


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +28.7%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -5.5%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	Δ %(1)	1H19
Net interest income	**1,534**	**13.4**	**27.6**	**1,353**
Net fees and commissions	264	(26.7)	(17.5)	360
Net trading income	127	n.s.	n.s.	(65)
Other operating income and expenses	32	8.0	21.6	30
Gross income	**1,957**	**16.7**	**31.3**	**1,677**
Operating expenses	(562)	(5.3)	6.6	(594)
Personnel expenses	(307)	(8.4)	3.0	(335)
Other administrative expenses	(172)	(0.3)	12.2	(173)
Depreciation	(83)	(3.1)	9.1	(86)
Operating income	**1,394**	**28.7**	**44.8**	**1,084**
Impairment on financial assets not measured at fair value through profit or loss	(618)	83.6	106.5	(337)
Provisions or reversal of provisions and other results	(61)	186.5	222.4	(21)
Profit/(loss) before tax	**715**	**(1.4)**	**10.9**	**726**
Income tax	(175)	14.7	29.1	(153)
Profit/(loss) for the year	**540**	**(5.7)**	**6.1**	**573**
Non-controlling interests	(274)	(5.9)	5.9	(291)
Net attributable profit/(loss)	**266**	**(5.5)**	**6.3**	**282**

Balance sheets	30-06-20	Δ %	Δ %(1)	31-12-19
Cash, cash balances at central banks and other demand deposits	5,489	0.1	14.9	5,486
Financial assets designated at fair value	5,712	8.4	24.5	5,268
Of which: Loans and advances	454	2.1	17.3	444
Financial assets at amortized cost	50,079	(2.4)	12.1	51,285
Of which: Loans and advances to customers	41,196	1.7	16.8	40,500
Tangible assets	942	(15.7)	(3.2)	1,117
Other assets	1,302	3.4	18.8	1,260
Total assets/liabilities and equity	**63,525**	**(1.4)**	**13.2**	**64,416**
Financial liabilities held for trading and designated at fair value through profit or loss	2,249	3.0	18.3	2,184
Deposits from central banks and credit institutions	5,572	24.6	43.0	4,473
Deposits from customers	40,132	(2.9)	11.5	41,335
Debt certificates	4,074	(4.6)	9.5	4,271
Other liabilities	8,751	(7.7)	6.0	9,481
Economic capital allocated	2,748	2.8	18.1	2,672

Relevant business indicators	30-06-20	Δ %	Δ %(1)	31-12-19
Performing loans and advances to customers under management (2)	40,529	2.2	17.3	39,662
Non-performing loans	3,708	1.2	16.2	3,663
Customer deposits under management (2)	39,929	(3.4)	11.0	41,324
Off-balance sheet funds (3)	4,212	7.8	23.8	3,906
Risk-weighted assets	57,190	1.0	15.9	56,642
Efficiency ratio (%)	28.7			33.8
NPL ratio (%)	7.0			7.0
NPL coverage ratio (%)	82			75
Cost of risk (%)	2.71			2.07

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all comments below on rates of changes for both activity and income, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

The most relevant aspects related to the area's activity during the first six months of 2020 were:

- **Lending activity** (performing loans under management) increased by 17.3% year-to-date mainly driven by a growth in Turkish lira loans (up 22.0%) which was supported by a lower interest rate environment, commercial customers supported by the Credit Guarantee Fund (hereafter CGF) lending and short-term commercial lending. Foreign-currency loans (in U.S. dollars) remained stable during the first half of 2020 (up 0.4%).
- By segments, Turkish-lira **commercial loans** performed remarkably well in the first half of 2020 (up 43.0%) mainly thanks to new CGF utilizations and declining interest rates. In addition, **consumer loans** continued growing at double digit in the first half of 2020, thanks to the good origination at the end of the second quarter after the significant increase in the first quarter, and credit cards, which slightly recovered in the second quarter of the year showing an increase in the first half of 2020.
- In terms of **asset quality**, the NPL ratio remained stable at 7.0% compared to December 2019. The NPL coverage ratio stood at 82% as of June 30, 2020.
- Customer **deposits** (63% of total liabilities in the area as of June 30, 2020) remained the main source of funding for the balance sheet and increased by 11.0% in the first half of 2020. It is worth mentioning the positive performance of demand deposits which represent 49.2% of the total customer deposits and which increased by 43.5% between January and June 2020, as well as the off-balance sheet funds which grew by 23.8% during the same time.

Results

Turkey generated a net attributable **profit** of €266m in the first half of 2020, 6.3% higher than the same period of the previous year. Despite the impact from the increase in the impairment losses on financial assets, operating income grew by 44.8%. The most significant aspects of the year-on-year evolution in the income statement are the following:

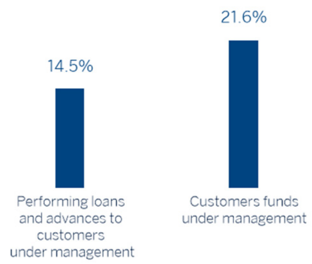
- **Net interest income** grew (up 27.6%) mainly due to higher Turkish lira customer spreads and higher loan and demand deposit volume, which was partially offset by a lower contribution from inflation-linked bonds.
- **Net fees and commissions** contracted by 17.5% on a year-on-year basis, mainly due to the changes in fees regulation that went into effect in March 2020 and lower activity levels due to the impact of COVID-19.
- **NTI** performed well in the first half of 2020 and compares favorably with the losses of the first half of 2019. This is mainly the result of the good performance of hedging activities, foreign currency trading operations and the income generated by security trading operations.
- **Other income and operating expenses** increased by 21.6% compared to the same period in 2019, mainly due to positive contribution of non-financial activities (renting activity) and higher insurance activity income.
- **Operating expenses** increased by 6.6%, significantly below the average inflation rate which is also supported by the reduction in the operating expenses due to COVID-19. As a result of the growth of the gross margin well above the growth of expenses, the efficiency ratio remained at low levels (28.7%).
- **Impairment losses on financial assets** strongly increased by 106.5% because of provisions for specific clients in the commercial portfolio and, especially, the adjustment in the macro scenario due to the negative effects of COVID-19. For its part, the cumulative cost of risk at the end of June stood at 2.71% after its upturn in March as a result of the growing loan loss provisions.
- The line **provisions and other results** closed the first half of 2020 at -€61m and compares adversely to the same period of the previous year mainly due to higher provisions for special funds and for contingent liabilities and commitments.

South America

Highlights

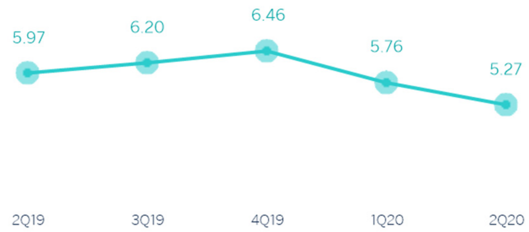
- **Activity affected by the support programs and the lockdown.**
- **Year-on-year net interest income growth.**
- **Reduction in NTI and net fees and commissions.**
- **Net attributable profit affected by the increase in the impairment on financial assets line.**

BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATES. DATA AS OF 30-06-20)

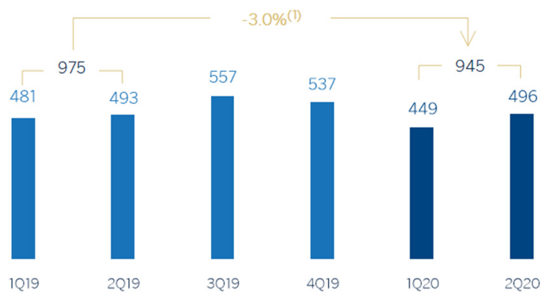


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

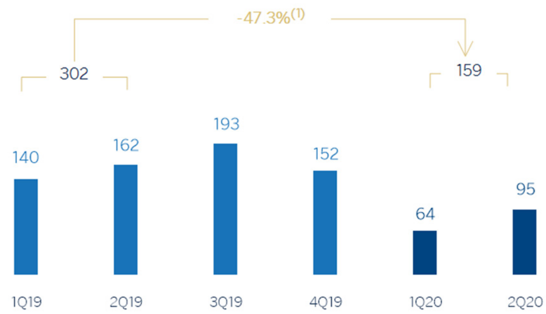


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: -22.2%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: -60.6%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	Δ % (1)	1H19
Net interest income	**1,443**	**(10.5)**	**6.8**	**1,613**
Net fees and commissions	232	(22.3)	(9.9)	298
Net trading income	172	(45.3)	(30.2)	314
Other operating income and expenses	(183)	(21.0)	(16.3)	(231)
Gross income	**1,664**	**(16.6)**	**1.7**	**1,994**
Operating expenses	(719)	(7.7)	8.5	(779)
Personnel expenses	(357)	(11.2)	6.1	(402)
Other administrative expenses	(279)	(4.7)	11.6	(293)
Depreciation	(83)	(1.8)	9.2	(84)
Operating income	**945**	**(22.2)**	**(3.0)**	**1,215**
Impairment on financial assets not measured at fair value through profit or loss	(603)	72.5	96.3	(349)
Provisions or reversal of provisions and other results	(45)	139.1	279.9	(19)
Profit/(loss) before tax	**297**	**(64.9)**	**(54.7)**	**847**
Income tax	(81)	(70.0)	(62.8)	(271)
Profit/(loss) for the year	**216**	**(62.5)**	**(50.7)**	**576**
Non-controlling interests	(57)	(67.0)	(58.1)	(171)
Net attributable profit/(loss)	**159**	**(60.6)**	**(47.3)**	**404**

Balance sheets	30-06-20	Δ %	Δ %(1)	31-12-19
Cash, cash balances at central banks and other demand deposits	8,399	(2.3)	8.0	8,601
Financial assets designated at fair value	8,250	34.8	50.1	6,120
Of which: Loans and advances	452	296.8	n.s.	114
Financial assets at amortized cost	38,742	2.3	12.6	37,869
Of which: Loans and advances to customers	35,336	(1.0)	9.0	35,701
Tangible assets	874	(9.7)	(3.9)	968
Other assets	1,626	13.0	23.7	1,438
Total assets/liabilities and equity	**57,891**	**5.3**	**16.0**	**54,996**
Financial liabilities held for trading and designated at fair value through profit or loss	1,943	4.5	18.8	1,860
Deposits from central banks and credit institutions	4,289	17.3	26.9	3,656
Deposits from customers	39,357	9.0	20.4	36,104
Debt certificates	2,972	(7.7)	0.2	3,220
Other liabilities	6,998	(8.7)	(0.3)	7,664
Economic capital allocated	2,332	(6.4)	4.3	2,492

Relevant business indicators	30-06-20	Δ %	Δ % (1)	31-12-19
Performing loans and advances to customers under management (2)	35,273	(0.9)	9.1	35,598
Non-performing loans	1,888	1.9	12.3	1,853
Customer deposits under management (3)	39,376	9.0	20.4	36,123
Off-balance sheet funds (4)	13,838	7.6	10.5	12,864
Risk-weighted assets	44,015	(3.1)	6.7	45,413
Efficiency ratio (%)	43.2			40.9
NPL ratio (%)	4.5			4.4
NPL coverage ratio (%)	108			100
Cost of risk (%)	3.10			1.88

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit/(loss)			
Country	1H20	∆ %	∆ % (1)	1H19	1H20	∆ %	∆ % (1)	1H19
Argentina	190	(43.4)	n.s.	335	43	(61.2)	n.s.	110
Colombia	295	(10.7)	0.8	331	48	(63.0)	(58.2)	130
Peru	353	(13.7)	(13.5)	409	32	(66.8)	(66.7)	98
Other countries (2)	107	(23.4)	(12.7)	140	36	(45.9)	(37.6)	66
Total	**945**	**(22.2)**	**(3.0)**	**1,215**	**159**	**(60.6)**	**(47.3)**	**404**

(1) Figures at constant exchange rates.
(2) Bolivia, Chile (Forum), Paraguay, Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	30-06-20	31-12-19	30-06-20	31-12-19	30-06-20	31-12-19
Performing loans and advances to customers under management (1)(2)	3,172	2,500	11,885	11,242	16,017	14,168
Non-performing loans and guarantees given (1)	67	89	688	648	914	760
Customer deposits under management (1)(3)	4,731	3,726	13,582	11,104	16,407	13,802
Off-balance sheet funds (1)(4)	1,455	550	1,140	1,215	1,887	1,716
Risk-weighted assets	6,354	6,093	13,499	14,172	18,735	19,293
Efficiency ratio (%)	53.3	46.9	35.6	36.2	39.1	35.8
NPL ratio (%)	2.1	3.4	5.3	5.3	4.4	4.1
NPL coverage ratio (%)	205	161	110	98	105	96
Cost of risk (%)	3.64	4.22	3.37	1.67	2.91	1.45

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds and other off-balance sheet funds.

Activity and results

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators.

The most relevant aspects related to the area's activity during the first half of 2020 were:

- **Lending activity** (performing loans under management) as of June 30, 2020 was 9.1% higher than at the end of the previous year. The performance of the wholesale portfolio is noteworthy, due to greater drawdowns of credit facilities by companies in response to the situation generated by the COVID-19 health crisis. This positive performance was partly offset by the lower activity of retail customers caused by the lockdown measures applied by the different countries and which has particularly affected consumer portfolios and credit cards. With regards to **asset quality**, the NPL ratio stood at 4.5%, while the NPL coverage ratio stood at 108%.
- On the **funding** side, the performance has been boosted by the measures taken by the different central banks to ensure liquidity in the respective financial systems in the region. As a result, deposits from customers under management increased by 20.4% during the first six months of the year, mainly due to the growth of demand deposits and, to a lesser extent, time deposits. For its part, off-balance sheet funds grew by 10.5% in the same period.

Regarding results, South America generated a cumulative net attributable **profit** of €159m between January and June 2020, representing a year-on-year decline of -47.3% (down 60.6% at current exchange rates), mainly due to the increase in the impairment on financial assets caused by the COVID-19 crisis. The cumulative impact of inflation in Argentina on the area's net attributable profit in the first half of 2020 amounted to -€58m, compared to -€94m in the first half of 2019.

The most notable aspects of the evolution of the income statement in the first half of 2020 are summarized below:

- **Net interest income** continued to grow at constant exchange rates (up 6.8%). At current exchange rates, the depreciation of the main currencies in the region weakened this positive performance.
- Decrease in the contribution from **NTI** (down 30.2% at constant exchange rates, down 45.3% at current exchange rates) mainly due to the positive effect of the sale of the stake in Prisma Medios de Pago S.A. in the first half of 2019.
- Increase in **operating expenses** below the inflation rate in the region.
- Higher **impairments on financial assets** (up 96.3%, up 72.5% at current exchange rates) mainly due to the extraordinary deterioration in the macroeconomic scenario caused by the impact of COVID-19.

The most significant countries in the business area, **Argentina**, **Colombia** and **Peru**, performed as follows in the first half of 2020 in terms of activity and results:

Argentina

- **Lending activity** grew by 26.9% in the first six months due to the increase in wholesale portfolios, partly offset by lower retail growth, especially in consumer finance and credit cards, as a result of the reduced activity resulting from the COVID-19 lockdown measures. The NPL ratio decreased to 2.1% as of June 30, 2020, down from 3.4% at the end of December 2019, as a result of decreasing non-performing loans.
- On the **funding** side, deposits from customers under management increased by 26.9%, with strong growth in both time and demand deposits due to the establishment of minimum returns for deposits in pesos by the Central Bank of the Republic of Argentina.
- Net attributable **profit** stood at €43m, affected by the greater need for impairment on financial assets resulting from the COVID-19 crisis and by the positive effect of the sale of the stake in Prisma Medios de Pago S.A. on the results for the previous year.

Colombia

- **Lending activity** grew by 5.7% during the first six months due to the performance of the wholesale portfolios, which offset the lower growth in retail, especially in consumer finance and credit cards, resulting from the lower activity caused by the lockdown. In terms of asset quality, the NPL ratio remained stable at 5.3% at the end of June 2020.
- **Deposits** from customers under management increased by 22.3% in the first six months of 2020, driven by the growth in demand and time deposits. Off-balance sheet funds continued their recovery after the withdrawals seen at the end of the first quarter of the year and closed 6.2% lower compared to the end of December 2019 (up 56.5% in the quarter).
- The net attributable **profit** stood at €48m, with a year-on-year fall of 58.2%. Greater generation of net interest income but a negative impact from the greater loan-loss provisioning due to the COVID-19 crisis, as well as the provisions for specific customers.

Peru

- **Lending activity** was 13.0% above the end of the financial year 2019, mainly driven by the wholesale portfolio, due to the distribution of funds from the *Plan Reactiva* (Reactive Plan), which offsets the lower retail growth, especially in consumer finance and credit cards, as a result of the reduced activity caused by the COVID-19 lockdown. With regard to asset quality, the NPL ratio increased to 4.4% as of June 30, 2020 and the NPL coverage ratio reached 105%.
- **Deposits** from customers under management increased by 18.9% in the half, mainly due to the 32.9% growth in demand deposits. Off-balance sheet funds increased by 9.9%.
- Net interest income fell compared to the previous year, due to the pressure on interest rates caused by the fall in official rates and government-backed loans at preferential rates, which are in addition to the customer relief measures such as interest-free deferral of repayments on credit cards. Net fees and commissions also fell, affected by the reduced activity resulting from the pandemic and the elimination of certain fees and commissions as a measure to support customers. Significant increase in the impairment on financial assets as a result of greater loan-loss provisioning resulting from the COVID-19 crisis. As a result of the above, the net attributable **profit** stood at €32m, which is 66.7% lower than the figure achieved twelve months earlier.

Rest of Eurasia

Highlights

- **Good performance of lending activity.**
- **Improved risk indicators.**
- **Increased recurring income resulting from positive evolution of the transactional and investment banking and good performance of NTI.**
- **Reduction of operating expenses.**

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	1H19
Net interest income	**102**	**21.0**	**85**
Net fees and commissions	83	19.6	69
Net trading income	78	29.7	60
Other operating income and expenses	5	(14.8)	6
Gross income	**268**	**22.1**	**220**
Operating expenses	(137)	(3.4)	(142)
Personnel expenses	(65)	(6.0)	(69)
Other administrative expenses	(63)	(1.4)	(64)
Depreciation	(9)	2.8	(9)
Operating income	**131**	**68.2**	**78**
Impairment on financial assets not measured at fair value through profit or loss	(34)	220.5	(11)
Provisions or reversal of provisions and other results	(8)	n.s.	1
Profit/(loss) before tax	**89**	**30.1**	**69**
Income tax	(23)	72.1	(13)
Profit/(loss) for the year	**66**	**20.0**	**55**
Non-controlling interests	-	-	-
Net attributable profit/(loss)	**66**	**20.0**	**55**

Balance sheets	30-06-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	310	25.3	247
Financial assets designated at fair value	500	4.6	477
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	25,688	15.5	22,233
Of which: Loans and advances to customers	22,524	14.5	19,669
Inter-area positions	-	-	-
Tangible assets	69	(3.8)	72
Other assets	239	5.1	228
Total assets/liabilities and equity	**26,805**	**15.3**	**23,257**
Financial liabilities held for trading and designated at fair value through profit or loss	47	(17.3)	57
Deposits from central banks and credit institutions	1,054	1.5	1,039
Deposits from customers	4,567	(3.0)	4,708
Debt certificates	380	(54.6)	838
Inter-area positions	19,423	26.5	15,351
Other liabilities	394	(1.3)	399
Economic capital allocated	940	8.8	864

Relevant business indicators	30-06-20	Δ %	31-12-19
Performing loans and advances to customers under management (1)	22,587	14.9	19,663
Non-performing loans	254	(27.4)	350
Customer deposits under management (1)	4,567	(3.0)	4,708
Off-balance sheet funds (2)	518	3.5	500
Risk-weighted assets	20,247	12.6	17,989
Efficiency ratio (%)	51.1		64.6
NPL ratio (%)	0.8		1.2
NPL coverage ratio (%)	126		98
Cost of risk (%)	0.32		0.02

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity and results

The most relevant aspects of the activity and results in the area in the first half of 2020 were:

- **Lending activity** (performing loans under management) grew by 14.9% during the first half of the year, due to a greater drawdown of loans by customers to face the situation generated by COVID-19 from a more comfortable liquidity position.
- **Asset quality** indicators improved compared to the end of 2019: the NPL ratio and NPL coverage ratio closed at 0.8% and 126%, respectively, as of June 30, 2020.
- Customer **deposits** under management fell by 3.0%.
- In terms of **results**, the most recurring revenues increased 20.4% year-on-year due to the positive performance of both **net interest income** (up 21.1% year-on-year) and **net fees and commissions** (up 19.6% year-on-year), supported by the CIB activity.
- The **NTI** line increased (up 29.7% year-on-year) due to the good performance of customer activity and favorable management of market volatility.
- Reduction of **operating expenses** (down 3.4% year-on-year).
- The **impairment on financial assets** line increased, mainly as a result of the impairment of a specific customer.
- As a result, the area's **net attributable profit** in the first half of 2020 was €66m (up 20.0% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	1H19
Net interest income	**(69)**	**(47.3)**	**(132)**
Net fees and commissions	(35)	(20.9)	(44)
Net trading income	185	n.s.	(74)
Other operating income and expenses	18	32.5	13
Gross income	**98**	**n.s.**	**(236)**
Operating expenses	(406)	(15.8)	(482)
Personnel expenses	(232)	(17.2)	(280)
Other administrative expenses	(78)	(29.7)	(111)
Depreciation	(96)	5.4	(91)
Operating income	**(307)**	**(57.2)**	**(718)**
Impairment on financial assets not measured at fair value through profit or loss	-	-	-
Provisions or reversal of provisions and other results	(2,193)	n.s.	(44)
Profit/(loss) before tax	**(2,500)**	**228.1**	**(762)**
Income tax	85	(45.5)	156
Profit/(loss) for the year	**(2,415)**	**298.5**	**(606)**
Non-controlling interests	(1)	(92.4)	(10)
Net attributable profit/(loss)	**(2,416)**	**291.9**	**(616)**
Of which:			
Goodwill impairment in the United States	**(2,084)**		
Net attributable profit/(loss) excluding the goodwill impairment in the United States	**(332)**	**(46.2)**	**(616)**

Balance sheets	30-06-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	837	0.1	836
Financial assets designated at fair value	1,865	(24.1)	2,458
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	2,087	(15.8)	2,480
Of which: Loans and advances to customers	425	(47.7)	813
Inter-area positions	15,676	(27.0)	21,477
Tangible assets	2,126	(5.1)	2,240
Other assets	17,953	(12.0)	20,394
Total assets/liabilities and equity	**40,544**	**(18.7)**	**49,886**
Financial liabilities held for trading and designated at fair value through profit or loss	26	90.3	14
Deposits from central banks and credit institutions	870	21.3	718
Deposits from customers	308	0.2	308
Debt certificates	7,079	(8.8)	7,764
Inter-area positions	-	-	-
Other liabilities	7,837	(22.8)	10,148
Economic capital allocated	(25,131)	4.8	(23,989)
Total equity	49,555	(9.8)	54,925

The Corporate Center registered a **net attributable** loss of €2,416m in the first half of 2020, due to the €2,084m goodwill impairment in the United States in the first quarter of 2020, which was fundamentally caused by the negative impact of the macroeconomic scenario adjustment due to the COVID-19 pandemic. The most relevant aspects of the evolution of the area are:

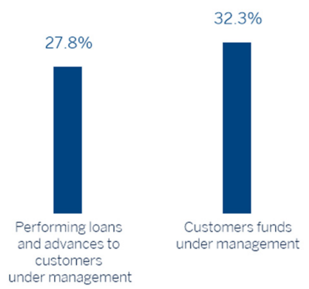
- The **net interest income** reflects lower financing costs.
- The **NTI** recorded €185m, mainly from gains in foreign-exchange rate hedging, which compares very positively to the -€74m in the first half of 2019.
- **Other income/expenses** primarily related to Telefónica, S.A. dividends, as well as the income from companies accounted for by the equity method.
- Containment of **operating expenses**, which decreased by 15.8% year-on-year, both for personnel expenses (mainly for variable remuneration) and for general expenses.
- **Provisions and other results** include the goodwill impairment in the United States booked in the first quarter of 2020.

Other information: Corporate & Investment Banking

Highlights

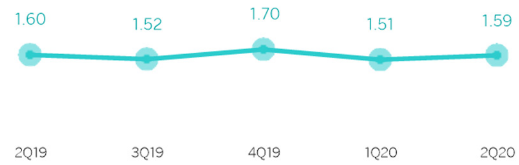
- **Good performance of customer activity, which is reflected in the net interest income and fees and commissions.**
- **Excellent performance of NTI.**
- **Leadership position in green and sustainable loans.**
- **Net attributable profit affected by the significant increase in the impairment on financial assets line.**

BUSINESS ACTIVITY [(1)]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATES. DATA AS OF 30-06-20)

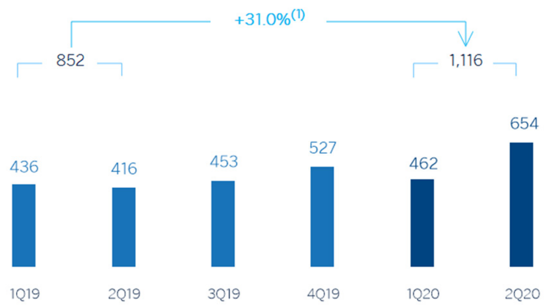


(1) Excluding repos.

GROSS INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATES)

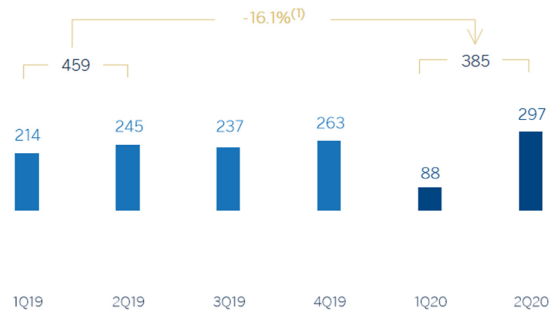


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: +20.0%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: -22.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H20	Δ %	Δ % (1)	1H19
Net interest income	**806**	**5.6**	**14.1**	**763**
Net fees and commissions	402	14.8	21.5	350
Net trading income	417	13.0	21.0	369
Other operating income and expenses	(23)	(12.6)	(0.7)	(27)
Gross income	**1,602**	**10.0**	**17.9**	**1,456**
Operating expenses	(486)	(7.5)	(4.1)	(525)
Personnel expenses	(202)	(14.4)	(12.5)	(236)
Other administrative expenses	(224)	(0.8)	5.1	(225)
Depreciation	(60)	(5.7)	(4.5)	(64)
Operating income	**1,116**	**20.0**	**31.0**	**930**
Impairment on financial assets not measured at fair value through profit or loss	(426)	n.s.	n.s.	(79)
Provisions or reversal of provisions and other results	(36)	n.s.	n.s.	18
Profit/(loss) before tax	**655**	**(24.8)**	**(17.7)**	**870**
Income tax	(182)	(14.7)	(5.8)	(213)
Profit/(loss) for the year	**473**	**(28.0)**	**(21.5)**	**657**
Non-controlling interests	(88)	(45.3)	(38.8)	(161)
Net attributable profit/(loss)	**385**	**(22.4)**	**(16.1)**	**496**

(1) Figures at constant exchange rates.

Balance sheets	30-06-20	Δ %	Δ % (1)	31-12-19
Cash, cash balances at central banks and other demand deposits	4,204	19.7	21.1	3,513
Financial assets designated at fair value	122,595	16.3	19.6	105,386
Of which: Loans and advances	36,838	7.9	8.1	34,153
Financial assets at amortized cost	87,077	14.3	20.5	76,169
Of which: Loans and advances to customers	74,335	12.8	19.0	65,915
Inter-area positions	-	-	-	-
Tangible assets	55	(13.2)	(8.2)	63
Other assets	1,523	(39.2)	(39.3)	2,506
Total assets/liabilities and equity	**215,454**	**14.8**	**19.1**	**187,637**
Financial liabilities held for trading and designated at fair value through profit or loss	109,956	20.0	23.1	91,657
Deposits from central banks and credit institutions	15,169	(1.7)	(0.4)	15,426
Deposits from customers	43,994	12.3	20.1	39,166
Debt certificates	1,855	(29.3)	(26.4)	2,625
Inter-area positions	35,545	13.5	18.3	31,316
Other liabilities	4,464	50.9	55.8	2,959
Economic capital allocated	4,472	(0.3)	5.5	4,487

(1) Figures at constant exchange rates.

Relevant business indicators	30-06-20	Δ %	Δ % (1)	31-12-19
Performing loans and advances to customers under management (2)	74,039	13.0	19.2	65,509
Non-performing loans	1,104	(8.8)	0.1	1,211
Customer deposits under management (2)	43,885	12.1	19.9	39,150
Off-balance sheet funds (3)	1,397	34.7	57.7	1,037
Efficiency ratio (%)	30.3			35.2

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all the comments below on **rates of change**, for both activity and profit and loss, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators.

The most relevant aspects related to the area's activity during the first half of 2020 have been:

- **Lending activity** (performing loans under management) continued with its double-digit growth (up 19.2% between January and June 2020) and there was a positive performance in all geographical areas, with the Rest of Eurasia, Turkey and the United States standing out, as a result of the increased drawdown of credit facilities by customers to deal with the situation created by COVID-19 from a more comfortable liquidity position.
- **Customer funds** also registered a strong increase of 20.8% in the first half, mainly as a result of the placement of liquidity in the bank. By geographical area, the United States and Spain stood out.

At the end of the first half of 2020, it is worth mentioning that BBVA, within its strategic priority of "helping our clients transition towards a sustainable future" participated in a total of 23 transactions within the field of **sustainable financing**, leading twelve of them as a sustainable coordinator.

Results

CIB generated a **net attributable profit** of €385m in the first half of 2020, which is 16.1% less in the year-on-year comparison. This is due to the increase in the impairment on financial assets, as operating income grew by 31.0% over the same period of time. The most relevant aspects of the year-on-year changes in the income statement for Corporate & Investment Banking are summarized below:

- Positive performance of **net interest income** (up 14.1%) due to the performance of lending activity, with higher volumes and an improvement in profitability per transaction due to the sales effort.
- Double-digit increase in **net fees and commissions** (up 21.5%), supported by transactional business and investment, and finance banking in most geographical areas.
- The **NTI** recovered during the second quarter of the year and registered an accumulated year-on-year growth of 21.0%, due to the good performance of customer activity and good management of market volatility, especially in Mexico, Rest of Europe and the United States.
- As a result, **gross income** increased by 17.9%.
- The **efficiency ratio** improved to 30.3% due to **operating expenses** falling significantly (down 4.1%), thanks to the containment plans implemented by the area and also partly due to savings in some expenditures as a result of the lockdown.
- Provisions for **impairment on financial assets** increased significantly due to the provisions related to COVID-19, which includes the deterioration of the macroeconomic scenario.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some **Alternative Performance Measures** (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the **European Securities and Markets Authority** (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en) as well as the statement published by the ESMA on May 20, 2020 (ESMA 32-63-972), about implications of the COVID-19 outbreak on the half-yearly financial reports. The guidelines mentioned before are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs (paragraphs 21-25).
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items (paragraphs 26-32).
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers (paragraphs 33-34).
- Do not have greater preponderance than measures directly stemming from financial statements (paragraphs 35-36).
- Are accompanied by comparatives for previous periods (paragraphs 37-40).
- Are consistent over time (paragraphs 41-44).

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the countries where the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Adjusted profit/(loss) for the year

Explanation of the formula: The adjusted profit/(loss) for the year is the profit/(loss) for the year from the Group's consolidated income statement, excluding those extraordinary items that, from a management point of view are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit/(loss) for the year

Millions of euros		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
+	Annualized profit/(loss) for the year	452	4,345	5,881
-	The United States goodwill impairment	(2,084)	(1,318)	-
=	**Adjusted profit/(loss) for the year**	**2,536**	**5,663**	**5,881**

Adjusted net attributable profit

Explanation of the formula: The adjusted net attributable profit is the net attributable profit from the Group's consolidated income statement, excluding those extraordinary items that, from a management point of view are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit/(loss)				
Millions of euros		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
+	Annualized net attributable profit/(loss)	(219)	3,512	4,924
-	The United States goodwill impairment	(2,084)	(1,318)	-
=	**Adjusted net attributable profit/(loss)**	**1,865**	**4,830**	**4,924**

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both ''shareholders' funds'' and ''accumulated other comprehensive income'' are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share					
			30-06-20	31-12-19	30-06-19
Numerator (Millions of euros)	+	Shareholders' funds	56,541	58,950	58,718
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(12,822)	(10,226)	(9,867)
Denominator (Millions of euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	9	13	16
=		**Book value per share (euros / share)**	**6.57**	**7.32**	**7.34**

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for ''shareholders' funds'', ''accumulated other comprehensive income'' and ''intangible assets'' are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			30-06-20	31-12-19	30-06-19
Numerator (Millions of euros)	+	Shareholders' funds	56,541	58,950	58,718
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(12,822)	(10,226)	(9,867)
	-	Intangible assets	4,623	6,966	8,262
Denominator (Millions of euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	9	13	16
=		**Tangible book value per share (euros / share)**	**5.87**	**6.27**	**6.10**

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield

		30-06-20	31-12-19	30-06-19
Numerator (Euros)	∑ Dividends	0.26	0.26	0.26
Denominator (Euros)	Closing price	3.06	4.98	4.92
=	**Dividend yield**	**8.5%**	**5.2%**	**5.3%**

Adjusted earning per share

The adjusted earning per share takes the earning per share calculated in accordance to the criteria established in the IAS 33 “Earnings Per Share” and takes into account the same adjustments made in the net attributable profit to calculate the adjusted net attributable profit, previously defined in this alternative performance measures.

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks. It is calculated as follows:

$$\frac{\text{Non}-\text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: ''Non-performing loans'' include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. ''Total credit risk'' includes both pending and contingent risk. Their calculation is based on the headings in the first table of “Credit risk” within the “Risk management” section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio				
		30-06-20	31-12-19	30-06-19
Numerator (Millions of euros)	NPLs	16,385	16,730	16,706
Denominator (Millions of euros)	Credit Risk	446,623	441,964	434,955
=	Non-Performing Loans (NPLs) ratio	3.7%	3.8%	3.8%

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions. It is calculated as follows:.

$$\frac{\text{Provisions}}{\text{Non} - \text{performing loans}}$$

Explanation of the formula: ''Non-performing loans'' include those related to lending activity and those related to contingent risk, excluding non-performing loans from credit institutions and securities. ''Provisions'' are allowances, for both loans and advances to customer and contingent risk. Their calculation is based on the headings in the first table of "Credit Risk" within the "Risk management" section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

NPL coverage ratio				
		30-06-20	31-12-19	30-06-19
Numerator (Millions of euros)	Provisions	13,998	12,817	12,468
Denominator (Millions of euros)	NPLs	16,385	16,730	16,706
=	NPL coverage ratio	85%	77%	75%

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions, included in the "impairment on financial assets not measured at fair value through profit or loss" line) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Annualized loan} - \text{loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis, to standardize the comparison between different periods. For example, loan-loss provisions for six months (180 days) are divided by 180 to obtain daily loan-loss provisions and multiplied by 365 to obtain the annualized figure. This calculation uses the calendar days of the period under consideration.

''Loans and advances to customers (gross)'' refers to the portfolio of financial assets at amortized cost of the Group's consolidated balance sheet. The average of loans and advances to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk		30-06-20	31-12-19	30-06-19
Numerator (Millions of euros)	Annualized loan-loss provisions	8,134	3,983	3,467
Denominator (Millions of euros)	Average loans and advances to customers (gross)	398,735	390,494	388,949
=	Cost of risk	2.04%	1.02%	0.89%

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector.

Efficiency ratio		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
Numerator (Millions of euros)	Operating expenses	(5,512)	(11,902)	(5,874)
Denominator (Millions of euros)	Gross income	12,045	24,463	11,944
=	Efficiency ratio	45.8%	48.7%	49.2%

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders}'\text{funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: The numerator is the adjusted net attributable profit previously defined in this alternative performance measures.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
Numerator (Millions of euros)	Adjusted net attributable profit/(loss)	1,865	4,830	4,924
Denominator (Millions of euros)	+ Average shareholder's funds	57,571	58,888	58,312
	+ Average accumulated other comprehensive income	(11,556)	(9,921)	(10,201)
	= Adjusted ROE	4.1%	9.9%	10.2%

Adjusted ROTE

The Adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders}'\text{funds} + \text{ Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized adjusted net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for the adjusted ROE.

''Average intangible assets'' are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
Numerator (Millions of euros)	Adjusted net attributable profit/(loss)	1,865	4,830	4,924
Denominator (Millions of euros)	+ Average shareholder's funds	57,571	58,888	58,312
	+ Average accumulated other comprehensive income	(11,556)	(9,921)	(10,201)
	- Average intangible assets	5,630	8,303	8,333
	= Adjusted ROTE	4.6%	11.9%	12.4%

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in this alternative performance measures.

''Average total assets'' are the moving weighted average of the total assets of the Group's consolidated balance sheet at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA				
		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
Numerator (Millions of euros)	Adjusted profit/(loss) for the year	2,536	5,663	5,881
Denominator (Millions of euros)	Average total assets	729,196	693,750	681,194
	= Adjusted ROA	0.35%	0.82%	0.86%

Adjusted RORWA

The adjusted RORWA (return on risk-weighted assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average risk} - \text{weighted assetsrage total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in this alternative performance measures.

''Average risk-weighted assets''(RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA				
		Jan.-Jun.20	Jan.-Dec.-19	Jan.-Jun.19
Numerator (Millions of euros)	Adjusted profit/(loss) for the year	2,536	5,663	5,881
Denominator (Millions of euros)	Average RWA	369,226	361,359	356,861
	= Adjusted RORWA	0.69%	1.57%	1.65%

Other customer funds

This includes off-balance sheet funds, these are, mutual funds, pension funds and other off-balance sheet funds.

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds and other off-balance sheet funds; as displayed in the table on "Balance sheet and business activity" section of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds and other off-balance sheet funds.

Other customer funds					
Millions of euros			30-06-20	31-12-19	30-06-19
	+	Mutual funds	63,237	68,639	65,681
	+	Pension Funds	35,664	36,630	34,960
	+	Other off-balance sheet funds	1,912	2,534	3,127
=		Other customer funds	100,813	107,803	103,768

Main risks and uncertainties

At the date of preparation of this management report, the main risks and uncertainties to which BBVA Group is exposed are described in Note 6.1 "Risk factors" of the attached Condensed Interim Consolidated Financial Statements corresponding to the first half of the financial year 2020.

Subsequent events

On July 15, 2020, BBVA carried out an issue of preferred securities contingently convertible into newly issued ordinary shares of BBVA with exclusion of pre-emptive subscription rights for shareholders for a total nominal amount of €1,000 million. (see Note 6.3 of the attached Condensed Interim Consolidated Financial Statements).

From July 1, 2020 to the date of preparation of the attached Condensed Interim Consolidated Financial Statements attached, no subsequent events requiring disclosure in the attached Condensed Interim Consolidated Financial Statements have taken place that significantly affect the Group's earnings or its consolidated equity position.